



# ***JPRS Report***

## **China**

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# China

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## CONTENTS

31 OCTOBER 1990

### INTERNATIONAL

#### NORTHEAST ASIA

DPRK-ROK High-Level Meeting Viewed [RENMIN RIBAO 18 Oct] ..... 1

#### WEST EUROPE

Obstacles Slow European Federation [XINHUA] ..... 1

### POLITICAL

View of Prisons Outside Legal System [Hong Kong CHENG MING No 153] ..... 3  
Beijing Promotes Honesty, Competence of Lawyers [XINHUA] ..... 7

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

Enterprises Urged To Repay Loans After Paying Taxes  
[Beijing JINGSI YU GUANLI YANJIU No 3] ..... 8  
Dual-Track Price System for Capital Goods Discussed [JIAGE LILUN YU SHIJIAN No 7] ..... 11  
Dai Yuanchen Discusses Price Reform [GAIGE No 4] ..... 14  
Zhang Zhuoyuan Calls for Expanding Reform [GAIGE No 4] ..... 17

#### PROVINCIAL

Hunan Province's Construction of Highway Bridges Noted [Hunan Provincial Radio] ..... 19  
Jilin Achievements in Capital Construction Reported [Jilin Provincial Radio] ..... 19  
Liaoning's Haicheng-Xiuyan Railway To Open [Liaoning Provincial Radio] ..... 19  
Inner Mongolia Benefits From Open Policy [XINHUA] ..... 20  
State Approves 8 New Shipping Berths for Shandong [XINHUA] ..... 20  
Shanghai's Industrial Production Increases [XINHUA] ..... 20

#### INDUSTRY

Major Cities Surpass 10 Billion Yuan Output Mark [XINHUA] ..... 21  
Statistical Bureau Reports Production Up [XINHUA] ..... 21

#### FOREIGN TRADE, INVESTMENT

Impact of Recent Renminbi Devaluation on Foreign Trade [GUOJI MAOYI WENTI No 7] ..... 21  
Effect of Reduced Exchange Rate on Export Trade ..... 21  
Suggested Measures to Offset Adverse Consequences of Devaluation ..... 23  
Reorganize Shanghai Joint Ventures Into Stock Corporations [JIEFANG RIBAO 13 Aug] ..... 24  
Foreign Trade Reform Suggestions Proposed [GUOJI SHANGBAO 21 Aug] ..... 27

#### TRANSPORTATION

Tianjin Utilizes Sea Water in Industry [XINHUA] ..... 29  
China Set To Join International Shipping Convention [CHINA DAILY 6 Oct] ..... 29

#### AGRICULTURE

Food Import, Export Strategies Discussed [NONGYE JINGJI WENTI No 8] ..... 29  
Diagnosis of Poisoning in Cattle [ZHONGGUO SHOUYI ZAZHI No 6] ..... 31

Hunan Corn Area [HUNAN RIBAO 27 Sep] .....	32
Hubei Sets Rice Procurement Price, Grain Reserve [HUBEI RIBAO 3 Oct] .....	32
Heilongjiang Corn Yield [HEILONGJIANG RIBAO 6 Oct] .....	32
Shandong Autumn Wheat Area [DAZHONG RIBAO 6 Oct] .....	32
Hebei Wheat Area [HEBEI RIBAO 7 Oct] .....	33
Tractor Exports to Soviet Union [JINGJI RIBAO 9 Oct] .....	33
Haihe River Resources Utilized [XINHUA] .....	33
Zhejiang Reaps Bumper Cotton, Hemp Harvests [Hangzhou Radio] .....	33
Grain Crops Acreage Increase in Autumn Sowing [XINHUA] .....	33
Cereals, Oils, Food Export Volume Noted [CEI Database] .....	33
Wool Purchases To Increase [CHINA DAILY 24 Oct] .....	34
Xinjiang Develops Fish Breeding Capacity [XINHUA] .....	34
Beijing Residents Eat More Fish [XINHUA] .....	35
September Imports of Cereals, Oils Listed [CEI Database] .....	35
Hybrid Rice Helps Increase Grain Production [XINHUA] .....	35
Hubei Builds 16 Grain Bases [XINHUA] .....	35
Animal Husbandry Develops Rapidly in Xinjiang [XINHUA] .....	35
Meeting on Plant Research, Application Opens [XINHUA] .....	36

## SOCIAL

Political Attitudes of College Students in Beijing [Hong Kong CHING PAO No 156] .....	37
Poll on Political Views of Mainland Students in U.S. [Hong Kong PAI HSING No 223] .....	39
Better Living Conditions for Urban Teachers Noted [XINHUA] .....	43

## MILITARY, PUBLIC SECURITY

Military Economic Standardization Discussed [ZHONGGUO BIAOZHUNHUA No 7] .....	44
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## REGIONAL

### EAST REGION

Nanjing Counties Stress Subscription to Party Paper [XINHUA RIBAO 14 Oct] .....	48
EC Awards Fujian, Zhejiang Aid for Flood Victims [XINHUA] .....	48
6 Caught With Forged Exit Permits From Hong Kong [Hefei Radio] .....	48

### SOUTHWEST REGION

Stone-Age Artifacts Link Tibet to Huang He Culture [XINHUA] .....	48
Association To Study Tibetan Folk Customs [XINHUA] .....	49

### NORTH REGION

Inner Mongolia Improves Broadcasting Service [NEIMENGGU RIBAO 10 Sep] .....	49
Hebei Vice Governor's Resignation Accepted [HEBEI RIBAO 11 Sep] .....	49

### NORTHEAST REGION

Jilin Promulgates Regulations on Demonstrations [JILIN RIBAO 28 Aug] .....	49
Liaoning Work-Study School Reforms Delinquents [XINHUA] .....	50

## TAIWAN

Development Trends of Student Movement [Hong Kong CHIUSHIH NIENTAI No 246] .....	51
National Affairs Conference Viewed [HSIN HSIN WEN No 174] .....	52
'February 28th' Incident Viewed From 3 Angles [TZULI WANPAO 14 Aug] .....	53
DPP's Frank Hsieh Discusses Taiwan Independence [Hong Kong KUANG CHIAO CHING No 216] .....	55

## NORTHEAST ASIA

### DPRK-ROK High-Level Meeting Viewed

HK2010072290 Beijing RENMIN RIBAO in Chinese  
18 Oct 90 p 6

[Dispatch by reporter Zhou Bizhong (0719 1810 1813): "North, South Sides of Korea Hold Second High-Level Meeting"]

[Text] Pyongyang 16 Oct (RENMIN RIBAO)—Yon Hyong-Muk, premier of the Democratic People's Republic of Korea [DPRK] Administration Council and head of the delegation of Korea's North side and Kang Young-hun, South Korean prime minister and first representative of the delegation of Korea's South side, held the first round of talks of the second high-level meeting at the People's Cultural Palace in Pyongyang this morning.

In his keynote speech, Yon Hyong-muk compared the projects proposed by each side at the first high-level talks to find out the similarities and basic differences, and stated that efforts should be exerted to eliminate those differences. He stated that, in Korean reunification, it will be very unrealistic to try to copy intact the general formula on the relations between developing countries or imitate any West European projects of establishing faith and trust or the process of German reunification. He proposed not taking the road of unifying one social system with the prerequisite of eliminating the other, but taking the road of maintaining the two social systems and two regional governments in one country and one nation. On how to eradicate mutual distrust, Yon Hyong-muk stressed, "Always we have attached primary importance to the issue of eliminating political and military confrontation, and, on the basis of a solution to said issue, we have adhered to a corresponding principle of promoting humanitarianism, mutual cooperation, and exchanges."

In his speech, Yon Hyong-muk proposed that the two sides issue a declaration on mutual nonintrusion between the North and South sides, while presenting its draft, including a preamble, and seven clauses. Its main elements are that the North and South sides of Korea, as a nation, should not resort to force to oppose or to interfere with the other side under whatever circumstances; the two sides will seek peaceful settlement of any possible differences and disputes through talks and negotiations; the mutual nonintrusion demarcation line remains the military demarcation line as stipulated in the Korean Armistice Agreement of 27 July 1953; the arms race should be stopped; disarmament should be conducted in stages, with a hot line established between the two sides' military authorities to guard against chance armed conflicts. Yon Hyong-muk believed that this is the basic document for North-South relations. In the political arena, the two sides may reach an agreement to halt slander, as the two sides have earlier proposed, he added.

In his speech, Yon Hyong-muk reaffirmed that neither of the two sides should enter the United Nations before an agreement is reached. He also required the South side to stop the "Team Spirit" military exercise with the United States, and to release people apprehended by the South because they visited the North.

In his keynote speech, Kang Yong-hun set forth three topics that should be settled: 1) The policies of negating and being hostile to the other side's structure should be changed to improve North-South relations; 2) Priority should be given to separated families' mutual visiting to soon relieve the pain of a split nation; and 3) Economic ties and cooperation should be implemented to form mutual-aid relations prior to peaceful reunification. To achieve this, he set forth 22 specific proposals including free passage and correspondence and economic cooperation.

After the meeting, the two sides separately held news conferences. South Korean delegation spokesman Im Tong-won felt positively about the North side's forward-looking attitude, and stated that the South side would exert the greatest efforts to make the meeting a success. North Korean delegation spokesman An Pyong-su believed the current meeting was likely to be fruitful.

## WEST EUROPE

### Obstacles Slow European Federation

OW1910181290 Beijing XINHUA in English  
0837 GMT 19 Oct 90

["Roundup: Pace for Political Alliance Speeds Up in EC (by Sun Weijia)"]—XINHUA headline]

[Text] Brussels, October 18 (XINHUA)—Reaction and response to the Gulf crisis has quickened the pace towards political alliance in Western Europe.

While dealing with the Gulf crisis, several proposals towards integration have received a favourable hearing and the 12 nations of the European Community have taken active steps towards common diplomatic and security policies.

The heads of the 12 nations are meeting later this month in Rome for detailed discussions on the question of their political alliance.

The proposal was put forward in March and April this year and on April 25 at the Dublin summit it was officially put on the integrated EC agenda.

It has appeared against the background of reconciliation in East-West relations, German unification and deepening of EC economic and monetary union.

The proposal indicates that the 12 member nations are trying to improve their integration and become an "attractive pole" in international affairs so as to broaden their influence.



The goal of political alliance is to intensify and promote the EC's policy-making function, to speed up democracy among the EC policy-making groupings, to build its member nations' independence and common foreign policies. This last is the most important, and the most difficult, task.

Seen from the results of informal discussions at the European Council of Foreign Ministers, the necessity of establishing a "policy of common diplomacy and security" has reached common agreement. The view is that European political union cannot do without the integration of foreign policies which depends on the integration of security and defense policies.

But differences remain on exactly [what] all this means and how it all should be carried out.

The first of these is on the limit of security co-operation. Most member states think the policy should include co-operation in military industry and technology, participation in international disarmament talks and military operations organized by the United Nations, and same stance in the Security Council of the U.N., plus the gradual establishment of a common defence policy.

However, some countries want an even larger scope than this. A motion raised by Italy and seconded by France and Belgium advocates that the military organizations of the West European Union (WEU) be included into the framework of the European Community with a view to expanding security and defense co-operations in West Europe. But this can hardly be accepted by countries like Ireland and Denmark which are not members of the WEU.

Moreover, some countries like Britain and the Netherlands prefer defence co-operation within NATO to the policy of common diplomacy and security of the European Community.

Such being the case, some countries suggest "two speeds" on integration of security of the EC; that is, under the prerequisite of accepting the policy of common diplomacy and security, certain countries be allowed not to join link-ups in some fields over the short term.

The next is the issue of the decision-making process. Most of the members held that a real common foreign policy needs a centralized decision-making body, which should combine both the functions of the Political Co-operation Commission and the Council of Foreign Affairs, and that the present way based on consultation among member countries makes a common foreign policy impossible.

Some proposed that decision-making forms should be based on unanimous agreement, but with the possibility for members to abstain if they wished. This would mean that the abstaining member had the right not to co-operate without affecting the implementation of the approved resolution.

Members also disagreed over the present political functioning of the EC. At the informal meeting of foreign ministers, held early October in Italy, it was decided in principle on gradual progress to political union, i.e. strengthening the EC's functions over political affairs without tipping the balance between various departments.

Observers consider that the future treaty of union is not likely to include articles for modifications of the important motives of the European Commission, and for changing the present form of summit decision making with a relatively weak parliament. The political model of "European federation" still has a very long way to go.

## View of Prisons Outside Legal System

90CM0332A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 153, 1 Jul 90 pp 89-92

[Article by Wu Zuoren (0124 0155 0086): "Tens of Millions of People Locked Up in Prisons Outside the Legal System"]

[Text] Except for prisons and detention camps specifically set up to house soldiers, prisoners of war, enemy spies, and captives, prisons on the mainland can be divided into three major types—prisons, quasi-prisons, and extralegal prisons—and can take any one of a dozen forms, including reform-through-labor center, lockup, detention center, education-through-labor center, juvenile education center, and collecting post. Most of them are set up illegally and unconstitutionally and have been beyond the reach of the law from the start. Since they have never been under legal restraint, they are collectively referred to as "extralegal prisons." This article proposes to expose for the first time China's prisons, particularly extralegal prisons, in the hope that people in the democracy movement, both Chinese and foreigners, international human rights organizations, and the legal community would take note and concern themselves with the human rights of tens of millions of Chinese citizens illegally imprisoned by the CPC.

### Differences Between Prisons and Reform-Through-Labor Centers

Prisons in the first category are set up formally and can take one of two forms: prison or reform-through-labor center. Formally named prisons include Liaoning Fushun Prison, Beijing Qincheng Prison, Shanghai Tilan Prison, and Guangzhou Huanghualu Prison. Each can hold 10,000 to 50,000 prisoners. They are referred to as provincial or municipal prisons and mainly house prisoners who have already been sentenced. They are also regarded as "transfer stations" for convicts to be sent to other prisons or reform-through-labor centers. As prisons became overcrowded, the government went on a building spree, putting up scores of detention centers. Thus "going to jail" became "going to a reform-through-labor center." Prisons became "reform-through-labor farms," "labor factories," "new life factories," and "new life mines," to name a few. Imports from Hitler's Germany and Stalin's Soviet Union, they were combined with the Chinese tradition of "drawing a circle on the ground and staying within it." They dot every province, every municipality directly administered by the central government, and every autonomous region. We can call them fascist concentration camps, Chinese style.

Take Shanghai, for instance. Besides the largest municipal prison on the mainland, Shanghai boasts scores of "labor factories" in steel-tube plants and other facilities making tools, textile products, and machinery, and

printing shops, as well as the Qingpu reform-through-labor farm (now renamed Qingdong education-through-labor farm), housing more than 200,000 prisoners in all. In addition, they built Dafeng reform-through-labor farm (later separated into "education-through-labor" and "intellectual" farms) in northern Jiangsu, which, along with "Baimaoling" and "Jingtihu," both large-scale reform-through-labor farms in southern Anhui, accommodate 1 million convicts. The province also jointly operated reform-through-labor "farms" and "factories" (such as Xining machine-tool factory) with such faraway provinces and regions as Qinghai and Xinjiang. In the 1950's and in 1964 and 1983, over 100,000 people from Shanghai were sent into exile to serve long sentences.

Apart from a handful of genuine "criminals," so-called "convicts" comprise mostly law-abiding citizens whose only problem may be a "dubious political background," who are guilty mainly of minor legal transgressions (breaking the law is not the same as committing a crime), who may have made a suggestion to their superiors, who are unwilling to be blackmailed by the police, who may hold different political opinions, who have an "ideological problem," who are the victim in a case of mistaken identity or fabricated charges. (I came across such cases when I subsequently wrote "appeals" on behalf of "friends" from all walks of life.) Innocent people are wrongly convicted and severely punished. Many people have even been executed. On average, 50,000 citizens are sentenced in Shanghai each year. Yet Shanghai, which accounts for only 1 percent of the nation's population, is vaunted as a "civilized city" with the "lowest crime rate" by the government. If this is true, one can imagine the number of people who were jailed nationwide over the past 40 years.

### Lockups and Detention Centers Each Have Their Own Characteristics

The second type of prison also can be divided into two groups: lockups and detention centers. Since they house prisoners who have yet to be sentenced, let us call them "quasi-prisons." About lockups. They are transitional prisons for people who have been arrested or "defendants" whose preliminary trials are over and who are waiting their second trial. (At the end of the second trial, the defendant is sent to a formal prison.) Take Shanghai, for instance. There are five municipal-level detention centers, 12 district-level lockups, and 10 county-level lockups, plus the marine lockup, railroad lockup, and civil aviation lockup, for a total of 30. The municipal lockups accommodate 3,000 to 4,000 people each, while other lockups have a capacity of over 1,000 people. Lockups can be found in all 200 large and midsized cities on the mainland, as well as 3,400 counties. Nationwide there are about 5,000 lockups. Turning to detention centers, where there is a lockup, there is a detention center, but the reverse is not necessarily true. Large industrial and mining enterprises like Baogang and Shihua, for example, only have detention centers, not

lockups. For this reason, there are more detention centers than lockups in China, certainly over 5,000. Detention centers are larger than lockups in scale and imprison more citizens. Detention can take any one of three modes: legal detention, investigative detention, and administrative detention. Each year 7.5 million to 8 million citizens are estimated to be detained across the nation on the average.

#### **Legal Detention Can Take All Forms and Shapes**

So-called legal detention is known as "faju" for short and "big warrant" (the arrest warrant with the highest denomination) in the common parlance. Legal detention lasts 10 days, but in all cases the detainee is put under arrest on the 11th day. The number of legal detainees accounts for a quarter of all people detained. So-called "investigative detention," or "jushen" for short, is also called "small warrant." A person can be put under investigative detention for three months in the first instance, at the end of which he may be arrested, sent to a reform-through-labor center, or exiled, but in most cases the investigative detention is extended. The time limit stipulated in the "Criminal Code" is a mere scrap of paper. By and large, about a third of "investigative detainees" are upgraded and become legal detainees. This group makes up about half of all detainees. Another third consists of innocent citizens sentenced directly by the police, bypassing the courts and skipping the legal process altogether. These people are sent to education-through-labor centers to continue their imprisonment, but the time already served in the detention center does not count toward their sentence. In other words, they have to start from scratch. Less than one-third are released, usually with no formal explanation. (Clearly their detention is a mistake.) The case is simply closed with no conclusive settlement. Rearrest is possible anytime. The targets of administrative detention are often parties to civil disputes and drivers involved in traffic accidents. Administrative detention is supposed to last 15 days at most, but there have been cases in which it exceeded 15 days or which were upgraded. Since civil disputes are resolved mainly by mediation, citizens under administrative detention constitute under one-fifth of all detainees. Add the number of released investigative detainees, and the proportion is about 30 percent. More than 5 million citizens, or 70 percent of all detainees, are "prisoners of conscience." (China has a vast number of political prisoners and prisoners of thought, a fact the CPC has flatly and repeatedly denied. They have gone so far as to label Wei Jingsheng [7614 0079 3932], a leader of the democracy movement, a "criminal.") They are made to change "prison" and continue to suffer the misfortune of communist imprisonment.

#### **Extralegal Prisons Violate the Constitution and the Criminal Code**

The third type of prison, namely, extralegal prison, can take any form, any shape, and is known by myriad

names: education-through-labor center, juvenile education center, collecting post, isolation room, dispatch station, work-study school, and closed-study class. All of them are set up illegally by the faction in power and the police to deal specifically with innocent citizens and ignorant juveniles. Education-through-labor centers (including juvenile education centers) are covert reform-through-labor centers, no different from full-fledged prisons. Collecting posts are a reproduction of detention centers, similar to quasi-prisons. Not only do all extralegal prisons lack a basis in law and judicial proceedings, but they openly violate the Constitution and "Criminal Code." Willfully flouting the Constitution and breaking the law, the police encroach upon human rights, arrest and detain innocent citizens by force, and deprive them of their personal freedom and other basic rights. There is no legal explanation for all this, except that it is the evil deeds of one-party dictatorship. For 40 years, particularly in the decade since "judicial reform" began, extralegal prisons have been increasing, not declining, forming a huge network.

The education-through-labor center is where a brutal dictatorship is imposed on innocent citizens. The targets are "selected" from detention centers, collecting posts, units where people are located, and residential areas. In the first two decades, most of the inmates were adults who complained about the CPC, including some of the 500,000 "rightists" and 1,400,000 bad elements (except those who were sentenced) in 1957-58. In the next 20 years, most of the prisoners were young people who "made trouble" for the authorities, about 2 million each year on the average. The government knew full well that these people were indeed innocent, so much so that it did not even go through the formality of trying them in court. Still, it insisted on stripping innocent citizens of their personal freedom, depriving them of their basic constitutional rights, and preserving the deterrent effects of its fascist regime. (Hitler imposed fascist rule on foreign nationalities, but the Chinese reserved it especially for their fellow countrymen.) So it thought of doing something different—writing its own administrative regulations and placing them above the Constitution. By calling these regulations "administrative sanctions," it was able to circumvent the law and throw countless innocent citizens into jail for long-term reeducation through labor, all the while shamelessly claiming that education through labor embodied the "compassion" of the CPC, as if hell had really turned into heaven.

#### **Most Inmates in Education-Through-Labor Centers Are Innocent Citizens**

Both education-through-labor centers and reform-through-labor centers are prisons and are managed and supervised by the police using similar methods. The former is for people whom the government has already decided are innocent but whom it deliberately wants to set up. The latter is for people who are halfheartedly brought before the court and "sentenced." Thus, other than the difference in form, the only difference is one of wording, education instead of reform. The two are often

built side by side. Sometimes the sign "reform-through-labor farm" is replaced by "education-through-labor farm." Sometimes an "education-through-labor branch" exists as an appendage to a major "reform-through-labor facility." And sometimes the government "regularizes" the status of inmates who have undergone education through labor by turning them into "reform through labor" prisoners. Whether they are known as "offenders" or "prisoners," they are all taken into custody and locked up. Both are deprived of personal freedom and treated similarly. That they are referred to collectively by the authorities as "two kinds of labor personnel" shows that they are one and the same thing. If you compare the two closely, though, you will see that education through labor is actually worse than reform through labor. For one thing, while reform-through-labor prisoners serve a fixed term, education-through-labor sentences were open-ended at the beginning. Vast numbers of innocent citizens sentenced to education through labor in the 1950's ended up being educated by the CPC for two to three decades. Now and then the absurd happens: People in education through labor apply for a sentence to reform through labor. (Although a three-year cap was imposed on reform through labor, the government has seldom enforced the rule, except in cases where family members bribe prison police.) For another thing, when a person is sentenced to reform through labor by mistake, he may be "rehabilitated" later, an "honor" denied somebody sentenced to education through labor. After the Third Plenary Session of the 11th CPC Central Committee, Deng Xiaoping and others wanted to seize leadership from the "whatever group," including Hua Guofeng, and overturn cases like the "61 rebels" case. Toward that end, he allowed Peng Zhen [1756 6297], Bo Yibo [5631 0001 3134], and other old political fogies to stage a comeback and rehabilitated group after group of wrongly accused people to woo the public, going back to the Cultural Revolution at first and later reaching all the way to 1957. A large number of wrongly convicted reform-through-labor prisoners were "rehabilitated," on the surface at least, after their cases were reviewed. However, few education-through-labor convicts received similar treatment. This is because they were never sentenced to begin with. Since the police (then and now) took the law into their own hands and bypassed the courts, there were no legal records, which means that the courts could not hear the cases. If personnel had changed at the original unit, they would simply plead ignorance. As for the police, they refused to look into the case outright, "You were never convicted, never sentenced. Others were purged to death, but you are still alive. You should thank the party and the government. What rehabilitation?" It may even warn the people threateningly, "If you have a poor attitude, be careful not to be caught again." In 1979-80, more than 100,000 people converged on Beijing from all over the nation to present appeals. The government, concerned about negative repercussions overseas, ordered that they be arrested and returned to their hometowns to be

punished locally. As a result, tens of millions of good people sentenced to education through labor are still suffering from injustice.

#### Special Prisons for Adolescents

Juvenile education centers are a special kind of education-through-labor center because they house only adolescents. Wary that unruly adolescents may undermine "stability," the police openly flout the law and, in the name of crime prevention, round up large numbers of children and lock them up in special prisons, which is unwarranted. In the past, many children grew up in prisons and became psychologically maladjusted; it was actually the prison that taught them "crime." Some even spent their entire lives behind bars. Today they do not lack successors. The work-study schools that emerged in the last decade also targeted ignorant adolescents. So-called "work" means labor, "study" means education, so "work-study schools" are similar to juvenile education centers, run by the police where the students are also deprived of freedom of person and confined for long periods of time. Whether it is the "juvenile education center" or "work-study school," the young citizen is often shackled with handcuffs, ropes, and other implements of punishment. Even more often they are told to kneel, given little food, made to work hard, and forced to stay up late. Both physically and psychologically they are badly abused. These children, numbering in the hundreds of thousands, are most pitiable. Innocent and under age, they are yet put in jail, ineligible even to appeal. If the police find out that somebody wants to make a complaint, the police would chide and hurl insults at him, saying, "What nerve at such a tender age! Don't you dream about filing charges against the public security bureau. Have you eaten the gallbladder of a leopard? Or have you been influenced by some adult? You are not yet legally of age. How can you sue us?" When someone does complain, the police would step up its threats, while secretly investigating and persecuting him. As for the parents of the youngsters, so-called "legal guardians," while they hurt enormously inside, they cannot do a thing. They are unable to supervise and protect their children because what they are up against is not some individual, but a dictatorial regime, hopelessly decayed but powerful for the time being. They themselves are in a precarious position. How then can they have the courage to denounce CPC brutality by themselves, courting defeat by fighting against overwhelming odds? Let this writer speak out here out of a sense of justice: I would like to make a humanitarian appeal to the entire world to save the children under brutal rule.

#### Concentration Isolation Rooms, Fascist Style

Collecting centers are illegal prisons set up by the police on their own to detain and lock up innocent citizens. In China, collecting centers are certainly not the humane "refugee collecting centers" found in democratic countries. In fact, they are just the opposite. They are the most inhumane "collecting, investigating, and detention centers." Large-scale fascist "concentration isolation



rooms" appeared in 1981, when Deng Xiaoping began running the show. He inherited the brutality of the Cultural Revolution and took it one step further. Besides a "lockup" and "detention center," each district in Shanghai has two or three "collecting centers." The centers usually occupy an entire primary or secondary school building. Alternatively, they may be housed in borrowed factories and other industrial sites. Reportedly, collecting centers outnumber detention centers in large cities like Beijing, Tianjin, Shenyang, Nanjing, Wuhan, Zhengzhou, Xian, Chengdu, Chongqing, Changsha, and Guangzhou. Collecting centers can be found in all prefectures, municipalities, and counties, and number more than 6,000 nationwide. Outsiders may ask, "With lockups and detention centers capable of jailing over 10 million Chinese, why do they need collecting centers?" Here is the catch: The former must operate in accordance with the law, superficially at least, while the latter lie outside the law, allowing the government to tyrannize the people. No wonder the CPC is so fond of the latter. Precisely because the collecting center itself has no basis in law and "collecting and investigating" is short-term (six months at most), its goal being the collection of evidence, the public security bureau, police station, people's militia, joint defense forces, and all units are free to arrest any person they please. No need for evidence and certainly no need to differentiate between who is guilty and who is not guilty. Nobody will be held legally responsible. This is why many localities are still building or expanding collecting centers today. Traffic in and out of such centers is heavy. It is estimated that each year 10 million citizens are collected and investigated on the average, most of them later promoted into "detention centers" or transferred to "education-through-labor centers" after being forced to confess through trickery or coercion or after being slapped with trumped-up charges. A decade of "collecting and investigating" on top of the Cultural Revolution has again created countless miscarriages of justice.

#### Collecting Centers: Product of "Four Insistences"

It was against the backdrop of Deng Xiaoping's "four insistences" that the Ministry of Public Security, in violation of the law, instructed that collecting centers be built everywhere. During the decade-long Cultural Revolution, there was hardly a unit without an "isolation room," colloquially known as a "cattle pen." In addition, there were "closed study classes," that is, "collective isolation rooms," which locked up tens of millions of innocent people in violation of the law. One billion people have been subject to all forms of "investigation" and persecuted to varying extents, including millions who were executed, killed, committed suicide, or took part in armed struggles and died a violent death. As for the number of people affected, that was even higher. Historically, the Cultural Revolution decade was known as the decade of calamity. After staging his comeback in the wake of the Cultural Revolution, Deng Xiaoping hypocritically declared that "no campaigns would be launched in future," abandoned the idea of "taking class

struggle as the key link," and had the Constitution revised and a "Criminal Code" written. Secretly, however, he was sharpening the knives and tightening his dictatorship; things were easing up on the surface, but actually the noose was being shortened behind the scenes. Then he went public with his notorious "four insistences." Acting on his orders, the Ministry of Public Security combined "solitary isolation" with "collective isolation," adopting the Cultural Revolution experience even as it denounced it. It called the resultant product a "collecting center," and drew up so-called "collecting regulations." You never read about the regulations in the newspaper. Nor did the ministry submit them to the NPC [National People's Congress] for discussion and adoption as a formality. Instead, the government made sure they escaped legal scrutiny by waving the "administrative" banner and it is able to arrest anybody it pleases and continues to exercise total dictatorship on the masses.

[Box, p. 90]

#### Classification of Mainland Prisons

##### Type 1:

1. Prisons—Mainly for locking up sentenced prisoners; also used as "transfer stations" for convicts on their way to other prisons or reform-through-labor camps.
2. Reform centers such as reform-through-labor farms and labor factories—Built as an alternative to overcrowded jails. Known by a variety of names such as "new-life factories" or "new life farms." Thus, "going to jail" becomes "going to a reform-through-labor center."

##### Type 2 (Quasi-Prisons):

1. Lockups—Lock up people under arrest or "defendants" whose preliminary trial is over and who are now awaiting second trial. Prisons of a transitional nature.
2. Detention centers—Three forms of detention: legal detention, investigative detention, administrative detention. Most detainees are "prisoners of conscience."

##### Type 3: (Extra-Legal Prisons):

1. Education-through-labor centers—Their targets are "troublemakers" (or rightists and bad elements in the past) from detention centers, collecting posts, units to which people belong, and residential areas. Education through labor is "administrative disciplinary measures" above the constitution. No limit on prison term. No legal procedures.
2. Reform-through-labor centers—Generally the same as education-through-labor centers. Lock up people brought before the court and "sentenced" perfunctorily. Prisoners serve fixed sentences.

3. Juvenile education centers—Lock up adolescents under 16. In addition, large numbers of juvenile delinquents are detained in "work-study schools" in recent years.

4. Collecting centers—Set up by police on their own. No legal basis. Sentence limited to six months. Since purpose of detention is "collecting and manufacturing evidence," the organs of dictatorship can arrest anybody arbitrarily.

### **Beijing Promotes Honesty, Competence of Lawyers**

*OW1910201090 Beijing XINHUA in English  
1316 GMT 19 Oct 90*

[Text] Beijing, October 19 (XINHUA)—A six-month effort to eliminate lawyer malpractice has been initiated in the capital, to help lawyers become more honest and professionally competent.

The Chinese capital now has 45 law offices and 1,700 lawyers.

Between 1979 and June this year the lawyers have handled more than 60,000 cases and provided adversary services to more than 350,000 people. Lawyers are employed as regular advisors to 2,346 local enterprises and institutions.

"Lawyers have become an indispensable force in the development of democracy and the legal system in the capital," said Sun Changli, director of the municipal justice bureau.

However, the director said, some lawyers have been influenced by corruption and malpractice and have become morally incompetent and professionally unqualified. Some have even committed crimes and defamed the reputations of other lawyers in the city, he added.

As part of the effort, Sun said, all law offices should make public their operating regulations and professional rules, and encourage clients to expose any lawyer malpractice. He also ordered the law offices to regulate their own performance and make public any wrongdoings.

## NATIONAL AFFAIRS, POLICY

**Enterprises Urged To Repay Loans After Paying Taxes**

90CE0378A Beijing JINGJI YU GUANLI YANJIU  
[RESEARCH ON ECONOMICS AND  
MANAGEMENT] in Chinese No 3, 8 Jun 90 pp 10-13

[Article by Zhang Zhenbin (1728 2182 2430): "The Reform of Enterprise's 'Before-Tax Loan Repayment' System"]

[Text] China's state-run industrial and commercial enterprises generally implement the "before-tax loan repayment" system which allows enterprises to use the newly increased profits of loan-financed projects to repay such special loans as capital construction and technological transformation loans before they pay their income taxes. This system was a special policy adopted under the special conditions of the early 1980's to encourage enterprises' technological transformation. Now it looks like that we need to reconsider.

**"Before-tax Loan Repayment" System Cannot Continue Any Longer**

In the early 1980's, faced with enormous and urgent tasks of technological transformation, reconstruction, and expansion, a large number of state-run enterprises in China needed a large amount of funds. But at that time, on the one hand, the depreciation rate was too low and the depreciation funds could not satisfy such capital needs; on the other hand, most depreciation funds were used for capital construction purpose and could not supply any capital. Because of this, the main source of funds for enterprise technological transformation could only come from bank loans. In the second half of 1979, banks began to provide fixed-asset loans. Later, appropriations for capital construction were changed to loans. However, what followed was the question of how to repay the capital and interest of loans. At the time, enterprises generally did not have the economic strength to repay the capital and interest of loans, and the relation of income distribution and the line of economic authority between the state and the enterprise were not clarified, so enterprises were not expected to assume full responsibility for loan repayment. State finance had to share the responsibility, thus giving birth to the "before-tax loan repayment" method which in fact allows income tax exemption for profits used to repay loans. As the first step of tax-for-profit system was carried out on a broad scale, this method was institutionalized. At the time this practice played an important, positive role in guaranteeing enterprises' needs for technological transformation funds, arousing enterprises' enthusiasm for carrying out technological transformation, and ensuring the smooth turnover of banks' credit funds.

Nevertheless, the "before-tax loan repayment" method is a special policy adopted under the special conditions that economic relations between the state and the enterprise were not straightened out and that state financial

resources, especially enterprise financial resources, were inadequate. Along with the wide and continuous implementation of this method, more and more defects have been revealed.

1. "Before-tax loan repayment" affects the steady growth of state financial income. The amount of newly increased profits to be handed over to the state can be determined only after enterprises repay their bank loans. The more loans they repay, the less revenue they will deliver to the state. As a result, state revenue cannot increase steadily along with the development of production. Furthermore, "before-tax loan repayment" makes it impossible to maintain even the base of state financial income. Many enterprises' capital construction and technological transformation loans are long- and intermediate-term loans which often require enterprises to pay back in installments before they can form new production capacity. This, in fact, makes it impossible for enterprises to use newly increased profits of loan-financed projects to repay loans. This forces some enterprises to dig into "old principal" and use profits of other areas to repay the capital and interest of these loans, thus affecting the amount of profits to be delivered originally to the state. Statistics show that of 38.7 billion yuan of loans paid back by enterprises in 1988, 18.75 billion yuan were paid with before-tax profits and 5.03 billion yuan were increased tax money. This obviously contributed to the direct reduction of state revenue. Currently, in the distribution of enterprise profits, the portion to be delivered to the state is smaller not only than the portion to be retained by enterprises but also than the portion used to repay bank loans. What is worth noticing is that with regard to capital construction and technological transformation loans, central enterprises' loans increased much faster than local enterprises' loans. In 1988, the loans of central industrial enterprises increased 70.6 percent, and those of local enterprises increased 21.7 percent. Of all loans, the proportion of central enterprises' loans rose by 7.35 percentage points. This obviously affected the income of central financial department and increased the difficulty of state treasury.

2. "Before-tax loan repayment" caused to a great degree investment demand to rise and investment scale to expand. Such loans have interest, but because they are repaid before taxes, they are actually loans on favorable terms that have the nature of tax exemption or subsidy. The actual financial support enterprises get from such loans are enough to pay not only the interest but also part of the capital. This has caused loan interest to lose restraint on enterprises. On the other hand, with state treasury acting as de facto guarantor, banks do not have any risks, causing them to relax restrictions on the issue of loans. Although there is the administrative restriction of "ceilings," it cannot permanently stop "indiscriminate exceptions." This mechanism under which "enterprises apply for loans, banks grant loans, and the state treasury pays for loans" has caused enterprises' investment demand to expand substantially and banks to fail to limit the amount of loans, thus resulting in the



expansion of the scale of investment. Between 1981 and 1985, the average annual increase of capital construction and technological transformation loans issued to state-run enterprises was 40.2 percent, and the average annual issue of such loans was 15.3 billion yuan. Between 1986 and 1988, the average annual increase was 39.5 percent and the average annual issue was 59.2 billion yuan. In 1988, the issue was as high as 77.2 billion yuan, 9.5-fold more than that in 1981, and the total balance of such loans was 169.3 billion yuan. Moreover, in 1988 capital construction loans increased much faster than technological transformation loans. The former increased 65.3 percent; the latter increased 17.3 percent. This has obviously accelerated the expansion of investment scale from an important aspect. Besides, this kind of "soft loan" which has no risk or restriction cannot increase the use efficiency of funds and even causes great waste as a result of blind use of capital.

3. "Before-tax loan repayment" further confuses economic relations between the state and the enterprise and is not conducive to enterprises' efforts to become independent commodity producers. As commodity producers which have decisionmaking power in management and assume sole responsibility for profits and losses, enterprises should assume their own economic responsibility and risk involved in the use of loans and business operations. But "before-tax loan repayment" switches such responsibility and risk to the state treasury. So this is a very unusual way of repaying loans. Besides, great discrepancies in the amount of loans issued to different enterprises will inevitably lead to unequal business opportunities among enterprises, resulting in unfair competition, and obstructing the regulative function of market mechanism. Because "before-tax loan repayment" is not listed in any independent funds of enterprises and is a kind of "hidden subsidy," enterprises often view that their loans have been repaid through their increased production and income, refusing to admit that they have benefited from the state. Thus, enterprises feel they do not retain enough profits for their own use and that the depreciation rate is too low. As a result, while benefiting from this, enterprises continue to use it as an excuse to ask the state for more tax exemptions and higher profit retention. Because of this, "before-tax loan repayment" has actually become an obstacle to further deepening the reform of enterprises' operational mechanism.

4. The huge balance of loans formed by the substantial increase of "before-tax loan repayment" has far exceeded the capacity of enterprises and state treasury and become a heavy burden of debts. Since 1981, the before-tax loan repayment of state-run enterprises has increased at high speeds which become faster and faster each year. Between 1981 and 1988, before-tax loan repayment increased on the average of 37.5 percent a year and the average annual increase rate of enterprise profits was only 4.3 percent, showing a difference of 30-plus percentage points. The proportion of before-tax loan repayment in annual profits rose from 3.9 percent

in 1981 to 26.7 percent in 1988. The proportion of before-tax loan repayment in the newly increased profits of 1988 was as high as 86 percent. It was estimated that in 1989 over 25 billion yuan of before-tax profit was used to pay loans, which caused the state to lose several billion yuan of revenue. Not only can enterprises not bear such a large amount of debts, but not even the state treasury can support it. We have really come to the point that we can no longer continue such a practice.

This shows that it is time that the method of "before-tax loan repayment" must be changed. The orientation of the reform is to gradually switch over to "after-tax loan repayment" to enable such loans to become real loans in the economic sense, thus strengthening the economic restrictions of enterprises and banks, giving play to the regulative function of loans as an economic lever, and reversing the current situation of confusion and passivity.

#### Eliminating the Conditions and Difficulties of "Before-tax Loan Repayment"

A primary reason why "before-tax loan repayment" increased so fast on such a large scale is that this method of loan repayment itself has formed an unrestrained economic mechanism. At the same time, the expansion of fixed-asset investment scale under the condition of economic overheating has also become an accelerating force behind the rapid increase of "before-tax loan repayment." In the past few years China's industrial development rate has been very high and enterprises' demand for loans for capital construction investment and technological transformation has been also very high. Since the method of loan repayment cannot form an effective restraint on such demand, loans are bound to increase sharply. Judged by this, to suppress the excessive growth of "before-tax loan repayment," first we should reverse the overheating situation of the national economy as a whole, reduce the scale of the fixed-asset investment of society as a whole, and lower the excessively high growth rate of industry. Only under such a macroeconomic condition can we gradually change "before-tax loan repayment" to "after-tax loan repayment."

Now it looks as if in order to change "before-tax loan repayment" to "after-tax loan repayment," we may encounter the following problems in addition to the restrictions of the overall environment of the national economy as a whole:

First, changing "before-tax loan repayment" to "after-tax loan repayment" may increase enterprises' tax burden, reduce their profit retention, and adversely affect their technological transformation. Abolishing "before-tax loan repayment" is actually eliminating the tax exemptions or subsidies provided by the state treasury for such loans, thus forcing enterprises to use their profit retention to pay for the capital and interest of such loans. This obviously will lower the current level of profit retention. If so, enterprises may loan less or no

money, thus adversely affecting the progress of their technological transformation.

Second, changing "before-tax loan repayment" to "after-tax loan repayment" may extend banks' loan recovery cycle and affect the turnover of credit funds. If the level of enterprises' profit retention is lowered, the current enterprise operational mechanism will force enterprises to give first priority to workers' welfare and bonus funds in the distribution of profit retention. Consequently, less funds will be available for the purpose of loan repayment, and banks' loan recovery time will be extended. Enterprises' short-term loans may become long-term. Banks' capital turnover rate may slow down accordingly, thus causing banks to extend credit scale.

Third, changing "before-tax loan repayment" to "after-tax loan repayment" may encounter financial operational difficulties and even affect the state's revenue. If we want to retain the current profit retention level of enterprises, the only way to change "before-tax loan repayment" to "after-tax loan repayment" is through the reduction of tax rates. In fact, this will change the original "hidden subsidy" to "open subsidy." But in this way, if we lower tax rates in a unified manner, we will cause "imbalance of happiness and hardships," worsening the inequality of opportunities among enterprises. If we set "a different rate for every household," we will hurt the operations of tax collection departments. Moreover, bringing the unfairness of tax rates into the open will further undermine fair competition among enterprises. Without the support of reform measures in other fields, the method of lowering tax rates will eventually cause the state to give up another portion of its income.

#### Gradually Switch to "After-tax Loan Repayment"

The major problem in changing "before-tax loan repayment" to "after-tax loan repayment" is how to determine the profit retention level of enterprises. If, 10 years ago, enterprises' profit retention level was so low that the state treasury had to pick up the burden of loan repayment for enterprises, then today, in our opinion, there is no excuse to continue this unreasonable practice, because enterprises' profit retention level has increased substantially since then. According to statistics, in 1988 financial resources at the disposal of state-run industrial enterprises totalled near 100 billion yuan, equivalent to almost the total amount of national revenue in 1980. Of such financial resources, enterprises' profit retention accounted for 47.9 percent and before-tax loan repayment accounted for 26.8 percent. With such a level of profit retention, enterprises should not suffer too much if "before-tax loan repayment" is abolished. Therefore, in general, we think that we should not continue to ask the state to reduce taxes and give up more profits when we change "before-tax loan repayment" to "after-tax loan repayment." Instead, we should consider abolishing "before-tax loan repayment" as an effective method of changing the current irrational structure of national income distribution. We should try in this field to reverse the obvious decline in the ratio of state revenue

to national income, ensure the steady growth of state revenue, and thereby guarantee the effective growth of basic industries and infrastructure necessary for the development of the national economy as a whole.

To abolish "before-tax loan repayment" steadily and in an orderly manner, we must adopt the method of gradual transition. Judged from the current situation, we should do a good job in the following areas in a proper order:

First, we should abolish the rule that allows enterprises to withdraw welfare and bonus funds from profits used for "before-tax loan repayment." Allowing enterprises to withdraw these two funds from before-tax profits used for loan repayment forces the state to pick up not only the burden of loan payment but also a part of workers' welfare and bonus funds. This is not conducive to the effective control of the increase of consumption funds, still less is it conducive to suppressing the increase of "before-tax loan repayment" in terms of enterprises' own interest motive. To abolish "before-tax loan repayment," we should first take this step and limit the profit base of workers' welfare and bonus funds to after-loan and after-tax profits.

Second, we should adopt the method of switching to "after-tax loan repayment" according to proportions in light of the situation of enterprises' technological transformation. We may consider having those enterprises, which have completed 50 percent of their technological transformation, formed certain production capacity, and paid back all special bank loans, repay half of their new technological transformation loans with before-tax profits and the other half with after-tax profits. As for those enterprises which have completed all of their technological transformation tasks, we should have them repay all of their new technological transformation loans with after-tax profits after they have paid back all of their special bank loans.

Third, in accordance with the current situation of the implementation of enterprises' contract management responsibility system, we should adopt different methods to turn before-contract and after-contract loans to "after-tax loan repayment." We may consider allowing enterprises repay half of their before-contract loans with before-tax profits and the other half with after-tax profits. All special loans acquired during the contract period after the signing of the contract should be repaid with after-tax profits. Many enterprises' contracts will soon expire. In signing the new round of contracts, we should integrate the change of "before-tax loan repayment" to "after-tax loan repayment" with the improvement of the contract system and implement the system of "after-tax loan repayment and after-tax contract."

Finally, we should adopt appropriate policies to guarantee the smooth fulfillment of the technological transformation task of old and especially large enterprises which have heavy tasks of technological transformation. Under the prerequisite of adhering to the principle of

"after-tax loan repayment," in light of the current situation of irrational price structure, we may properly extend the practice of "before-tax loan repayment" for loans used for basic industries and for projects of readjusting industrial structure and increasing effective supply. At the same time, we may also consider adopting new methods such as interest paid by the state and higher depreciation rates to vigorously support such projects under the condition of "after-tax loan repayment," speeding up their development, and accelerating their technological transformation and progress.

### Dual-Track Price System for Capital Goods Discussed

90CE0455A Beijing JIAGE LILUN YU SHIJIAN  
[PRICE: THEORY AND PRACTICE] in Chinese No 7,  
20 Jul 90 pp 41-45

[Unattributed article: "Suggesting Ways and Means To Phase Out the Dual-Track Price System for Capital Goods—the First Council Meeting of the National Means of Production Cost and Price Research Society"]

[Excerpts] The meeting of the First Council of the National Means of Production Cost and Price Research Society was held in Dalian in late May. Representatives of price departments, related ministries and commissions, educational and research units, and some large- and medium-sized enterprises from all parts of the country, more than 180 of them, attended the meeting. Comrade Wei Fuhai [7614 1381 3189], mayor, and Comrade Zhang Shu-hui [1728 2579 1920], vice mayor, of Dalian City, and Comrade Hu Bangding [7579 6721 1353], vice president of the China Price Society, were present to offer their greetings. The meeting discussed and adopted the constitution of the National Means of Production Cost and Price Research Society and the namelist of its first council. A total of 142 comrades were elected members of the council; 41 comrades were elected permanent members of the council; Comrade Wang Xingjia [3769 5281 0159], deputy director of the State Price Bureau, was appointed president of the society; Wang Zhenzhi [3769 2182 0037], Tian Yuan [3944 3293], Sha Xunjiao [3097 6064 2403], Shao Maofu [6730 5399 1133], Ni Di [0242 6611], and Lu Nan [6424 0589] were appointed vice presidents; and Qiao Gang [0829 0474] and Chen Fubao [7115 1381 0202] were appointed secretary general and deputy secretary general respectively. The meeting also engaged comrades Liu Zhuofu [0491 0587 3940], Ji Long [1323 7893], Cheng Zhiping [2052 5268 1627], Li Zhouqun [2621 6650 5028], Zhang Zhuoyuan [1728 0587 0337], and Huang Da [7806 6671] to act as advisors.

The meeting focused its discussions on the question of phasing out the dual-track price system for capital goods and replacing it with a single-track system. Following a keynote report entitled "Tentative Ideas on Gradually Phasing Out the 'Dual-Track' Price System in the Marketing of Capital Goods," those present at the meeting

expressed their views freely and reached general agreement on the following questions. [passage omitted]

### III. Tentative Ideas on Gradually Phasing Out the "Dual-Track" Price System in the Marketing of Capital Goods

It is the general trend and popular feeling that the "dual-track" price system in the marketing of capital goods should be phased out, but there will be difficulties mainly in the following areas.

1. The supply of energy and raw and semifinished materials often falls short of demand, and the gap is rather great. Under the circumstances, phasing out the "dual-track" price system for capital goods will unavoidably bring price rises. Although from a long-term viewpoint the elimination of the "dual-track" price system will help check inflation, its negative effect is unacceptable in the current economic situation.

2. The assumption of responsibility for their own finances by the localities and the signing of economic contracts by departments and enterprises have given these localities, departments, and enterprises certain guaranteed economic benefits. The phasing out of the "dual-track" price system for capital goods will inevitably necessitate some readjustments to the economic benefits of the localities, departments, and enterprises. To protect their vested interests, the localities, departments, and enterprises certainly will not support the measures and steps to phase out the "dual-track" price system which will reduce their benefits. This will increase the difficulty in phasing out the "dual-track" price system.

3. The dual distortion of prices and values inside and outside of the national plan is widening the gap between the two kinds of prices, making it more difficult to phase out the "dual-track" price system for capital goods. Since the establishment of the "dual-track" price system for capital goods, our failure to adopt firm and effective measures to readjust the low state-fixed prices and check the fast rising market-regulated prices in good time has resulted in the double distortion of prices and values. Goods covered by the state plan are priced below their values, and goods outside the state plan are priced above their values. There is a big gap between the two kinds of prices. As of the end of 1989, the prices of some capital goods in short supply were three or four or even six times higher than those inside the state plan. This double distortion of prices and values and the big price gaps have added considerably to the difficulty of phasing out the "dual-track" price system for capital goods.

If these problems are allowed to remain unsolved and the "dual-track" price system to continue indefinitely, the economic confusion and corruption are bound to spread and develop. It is not only an economic problem, but also a political problem. However, to phase out the "dual-track" price system, it is necessary to take measures in many areas and work hard for their implementation. It is especially necessary to strengthen and improve the macroeconomic regulation and control

system. Price, tax, and finance departments should act in coordination to accommodate the existing interest pattern among localities, departments, and enterprises and reduce the financial pressure on the state. To phase out the "dual-track" price system for capital goods and replace it with a "single-track" price system, it is necessary to proceed from the realities and work step by step in a practical and realistic way. We should not try to achieve the goal in one move, but should try to solve the problems by stages and groups.

The comrades present at the meeting maintained that to solve the problem of the "dual-track" price system for capital goods, it is necessary to set a clear-cut goal, move steadily, adopt flexible measures, have an overall plan, and carry it out step by step. In view of the pressing need to phase out the "dual-track" price system and the existing difficulties, the meeting put forward a few tentative ideas on how to solve the problem of the "dual-track" price system for capital goods.

#### First Idea:

Work step by step from the easy to the difficult according to the specific conditions of different kinds of capital goods and different trades, following the principle of "combining phasing out with adjustment, phasing out some, and adjusting others."

1. For a small number of important means of production such as petroleum, natural gas, power, major nonferrous metal products, and railway, air transport, postal, and telegram services, which are of vital significance to the national economy and the people's livelihood and monopolized by the state, the prices and charges should be controlled and fixed directly by the state.

The "dual-track" price system should be phased out, replaced by a single price for each product. A "unified average price" between the price set by the state plan and the market-regulated price can be used as an interim price. In phasing out the "dual-track" price system and replacing it with single prices, the price, tax, and finance departments should act in coordination to accommodate the existing interest pattern among different types of enterprises and reduce the financial burden on the state.

2. The prices of final products of the machinery, electronics, and some other industries and of products in sufficient supply can be freed from controls and allowed to be regulated by the market. Among these products, the prices of equipment for power stations, chemical plants, and petroleum facilities may be decontrolled in the long run, but for the time being should continue to be fixed by the state.

3. The "dual-track" prices of coal, steel, chemical, and other serialized products can be phased out in some cases and adjusted in others. For example, the "dual-track" prices of coal produced by state-owned mines and coal subject to centralized allocation can be phased out, replaced by single prices fixed by the state, and the prices of coal not subject to centralized allocation can continue

to be regulated by the market or, in some cases, allowed to fluctuate. The prices of different steel products should be handled differently. The "dual-track" prices of important or seriously insufficient varieties can be phased out first and replaced by single prices fixed by the state. Ordinary and adequately supplied varieties and those produced and marketed locally can be freed from price control. Some kinds of steel products, which are required by key enterprises and major capital construction projects, can have floating prices as determined by the state, but the same kind of products and steel products of the same specifications cannot have two prices.

4. As to a few products whose "dual-track" prices are difficult to phase out, it is necessary to raise the prices governed by the state plan and gradually narrow the gap between the two kinds of prices by strictly controlling demands and strengthening management of the prices of goods marketed by enterprises through their own channels.

#### Second Idea:

Capital goods should be divided into three types, namely, advanced, average, and backward products. The "dual-track" prices of advanced products should be phased out gradually and completely, and replaced by single prices fixed and regulated by the state. The backward products should be mainly freed from price control, gradually eliminating state-fixed prices and allowing prices to be regulated by the market. The average products can have their "dual-track" prices phased out or adjusted as necessary, and most average products can have floating prices.

After the "dual-track" price system is replaced by a "single-track" system, it is also necessary to establish corresponding cost and price management systems.

1. A new management system should be established for state-fixed prices, which should fluctuate with changes in cost, market supply and demand, and resources. State-fixed prices should first of all cover normal production and reasonable management costs, and they should also include an average rate of profit for industries. If natural resources are the direct object of labor, a compensation for the consumption of the natural resources should be included in the price of the capital goods (land rent for example). State-fixed prices should be readjusted at least once a year according to cost and market supply and demand conditions.

2. A regulation and control system should be established for commodities under relaxed price control. Price hikes by production enterprises can be restrained by controlling the average profit rate, various price parities, and by requesting enterprises to apply to higher authorities for approval before raising prices. Sales prices can be held in check by controlling the spread between purchasing and marketing prices. A small number of products which are apt to be affected by sharp changes in market supply and demand can be kept under control by setting price ceilings.



Third Idea:

1. For capital goods which are of vital importance to the national economy and the people's livelihood, monopolized, or tend to become monopolized, the "dual-track" price system can be phased out and replaced by state-fixed single prices. The products should be allocated and distributed by the state, and the supply of major energy and raw and semifinished materials should be guaranteed by the state. Products of this category include power, petroleum, natural gas, finished oil products, coal under centralized allocation, and so forth.

2. For products basically in balance between supply and demand and with a relatively small price difference inside and outside the state plan, the "dual-track" price system can be replaced by single market prices and freed from price control. For example, sanitary ceramics, chemical reagents, and particularly plate glass are basically in balance between supply and demand, and the difference between their prices inside and outside the state plan has narrowed in the last two years. Relaxed control over their prices will not cause a big shock.

3. Some products come mainly from certain areas and enterprises. The "dual-track" price system for these products can be phased out first in these areas and enterprises. For example, the Gejiu Tin Corporation in Yunnan accounts for more than 80 percent of China's total tin production, and the Jinchuan Nonferrous Metals Corporation in Gansu accounts for more than 80 percent of the country's total nickel production. The "dual-track" prices of tin and nickel produced by these two corporations can be phased out first and replaced by unified single prices fixed by the state.

4. Some products are produced mainly outside the state plan. The "dual-track" prices of these products can be replaced by single market prices without price control. For example, more than 80 percent of the total output of sulphuric acid, butadiene styrene rubber, and so forth is produced outside the state plan, and their prices can be decontrolled.

5. For products that are important, produced in about equal proportions inside and outside the state plan, and whose "dual-track" prices must be phased out, the "unified average price" system can be used. For example, the "dual-track" prices of some kinds of steel products can be phased out in this way.

6. Some capital goods have long been in short supply and cannot be produced adequately at home due to shortage of resources. They are urgently needed for the national economy, but cannot be imported in greater quantities from the international market. To phase out the "dual-track" prices of these products, the appropriate way is to replace them by state-fixed single prices.

The phasing out of the "dual-track" price system for capital goods and replacing it with a single-price system is a deep-going price reform. It must be combined with the structural reforms of taxes, interest rates, wages,

subsidies, exchange rates, planning, materials, enterprises, investment, and finance, to eliminate impediments, increase cooperation and coordination, and work in concert to establish a new price system step by step. It must also be linked to the development and improvement of socialist markets.

**IV. Emphasis in Gradually Phasing Out the "Dual-Track" Price System During the Eighth Five-Year Plan**

The comrades present at the meeting held that in phasing out the "dual-track" price system for capital goods step by step during the Eighth Five-Year Plan, the emphasis is: The "dual-track" price system should be replaced by a single-price system if possible; if not possible, it should be readjusted; and when conditions permit, prices should become market-regulated gradually.

They put forward the following concrete ideas:

1. Following the principle of first the easy and then the difficult, a few products should be selected first to have their "dual-track" prices replaced by single prices. The "dual-track" prices of coal under centralized allocation, nonferrous metals including tin, nickel, aluminum, and copper, cement, etc., can be phased out first and replaced by state-fixed single prices. The new state-fixed prices should, in principle, be slightly lower than the market-regulated prices. Some machinery and electrical products are roughly in balance between supply and demand, and they can be freed from price control and sold at market-regulated prices.

2. For oil and power, the producer prices should be raised first, and then the "dual-track" prices can be phased out and replaced by single prices. China does not have sufficient reserve petroleum resources. Therefore, for a fairly long time to come, our main source of energy will be coal, and prices should be arranged so that they will encourage the use of more coal than oil. Specifically it is recommended that not only should prices be readjusted so that petroleum producers can achieve an average level of industrial profit, but heavy taxes should be imposed on certain petroleum products to further jack up their prices. The first step is to suitably raise crude oil's producer prices, keep the prices of most finished oil products unchanged, and slightly readjust the prices of a few oil products. From a long-term viewpoint, raising only crude oil prices, but not the prices of finished products such as gasoline, kerosene, and diesel oil, will prove to be intolerable to the national treasury and oil-refining departments. The second step is to raise the prices of finished oil products including gasoline, kerosene, and diesel oil; then phase out the "dual-track" prices of crude oil and that of gasoline, kerosene, and diesel oil at the same time; and arrange the price relations in a reasonable way so that both the oil-extraction and oil-refining departments will achieve a roughly equal average profit rate on capital. As to electric power, it is mainly to consolidate the prices inside the state plan, liquidate the exorbitant taxes and levies, and

gradually raise the prices in the state plan, to create conditions for phasing out the "dual-track" price system. China relies mainly on thermal power generation. Therefore, reasonable power rates should be based on the average cost of thermal power generation plus the average profit rate on capital for industries. The profit gap between hydroelectric and thermal power due to difference in cost can be evened up with regulatory taxes.

3. With the exception of a few products, the supply of some raw and semifinished materials for processing, such as pig iron, steel, industrial chemicals, nonferrous metals, etc., is still falling far short of demand, and conditions are not yet available for phasing out the "dual-track" prices of these products. Therefore, the "dual-track" price system must still be maintained. It can only be phased out when the economic improvement and rectification have produced results, the imbalance between supply and demand has improved, and market prices have fallen. However, the price difference must be narrowed during the Eighth Five-Year Plan, and efforts should be made to reduce it to generally under 50 percent in two or three years. The following concrete measures should be taken: (a) The state-fixed prices of some capital goods under the state plan are too low and should be raised to a suitable extent so that enterprises engaged normally in their production will not lose money, and the proportion of these capital goods supplied under the state plan to the user enterprises should be increased in order to prevent a chain reaction on costs. (b) The way raw and semifinished materials are supplied should be improved to put an end to the unfairness in the present practice. Low-price raw and semifinished materials should be supplied according to the proportion of finished products purchased and allocated by the state. (c) Management of market-regulated prices should be strengthened to control the profit and tax rate in relation to production costs and the difference between purchasing and marketing prices in circulation, prevent the seeking of exorbitant profits, and bring prices down gradually. (d) Continued efforts should be made to rectify the order in the field of circulation. Some important capital goods should continue to have price ceilings; others should be placed under special control by the state; still others should be controlled at the wholesale links. Procedures should also be established to control sales by production enterprises through their own channels.

4. The "dual-track" price system should also be continued for a certain period of time for agricultural means of production such as chemical fertilizers, diesel oil, plastic film, and so forth. The portion to be supplied at state-fixed prices must be guaranteed by the state with funds earmarked specifically for the purpose. This will help in the exchange of agricultural products with the peasants under purchase contracts. The phasing out of the "dual-track" price system for these products should be carried out together with the reform of the "dual-track" price system for agricultural products under a unified plan.

5. Price ceilings should be set for certain important capital goods not covered by the state plan. With supply falling short of demand and prices getting out of control, this is an important measure to prevent reselling for profit and keep prices stable. It must be enforced uniformly throughout the country with no exception. Otherwise, those who observe the price ceilings will be subject to unfair losses. Experience from several past price-fixing efforts has shown that in setting price ceilings, consideration must be given to allowing the producers and dealers to make a reasonable profit, and that the ceiling should not differ too much from the actual price level. If the ceiling is set too low, it will not help promote production and stimulate the market. If it is set too high, it will push prices up. The ceiling should also be readjusted from time to time with the changes in market supply and demand. Price-fixing is an effective measure to reduce the difference between prices inside and outside the state plan and gradually phase out the "dual-track" price system. Therefore, it is necessary to take the overall situation into consideration in determining what products should have ceiling prices. Prices which should be fixed must be fixed, and prices which should not be fixed must not be fixed.

#### Dai Yuanchen Discusses Price Reform

90CE0437A Chongqing GAIGE [REFORM] in Chinese  
No 4, 20 Jul 90 pp 56-58

[Article by Dai Yuanchen (2071 0954 2525): "Seize the Moment and Move Ahead With Price Reforms"]

[Text] Price distortion and the dual track pricing system are the greatest problems facing our economy. In the spring of 1988 I called for price reforms to help us "get through the crisis." My intent was that we would solve these two problems in a fairly short period of time. At the time, I suggested that in order to accomplish this we would have to create conditions in the economic environment that would help us to make the price reforms. That is, we would have to control overall demand, and we would have to avoid the reckless issuance of currency that excessive demand would bring on. Otherwise, the rise in commodity prices caused by "belt-tightening" through price reform and the rise in commodity prices caused by reckless issuance of currency would together quite possibly spell doom for our price reforms. What is regrettable is that at the time we, on the one hand, demanded price reform "belt-tightening" and on the other hand we pursued high-speed economic growth. We failed to inhibit overheated economic growth and excessively large scales of investment. The end result was that the economic environment worsened, in the third quarter of 1988 we had spiraling inflation, many large- and medium-sized cities suffered through commodity price hikes approaching 30 percent per month, and residents flocked to the banks to withdraw their deposits and used the money to engage in panic buying in order to preserve the value of their savings. As a consequence, we had no choice but to apply the brakes to price reforms and proceed with improvement and rectification.

More than a year later we see that our work at improvement and rectification has been quite successful, the dizzying rise in commodity prices has cooled off, the scope of investment has been brought under control, and in particular, the rise in savings deposits made by residents of cities and villages shows that the people are less worried about inflation. The environment for price reforms that we sought in the past but were unable to achieve is now quietly emerging.

Just because we proceeded with improvement and rectification over a year ago and postponed price reform does not mean that we do not need to carry out price reforms now. The considerable number of problems we face in our economic life are linked to irrational prices. The imbalances in the industrial mix and our sluggish inability to adjust them are tied in with information distortion-induced deviations brought on by prices being out of whack. In our marketplaces, some products see long-term shortages and others are overstocked and unmarketable. This is tied in with the lack of price responsiveness. Inequitable societal allocations and vast amounts of wealth being drained off at intermediary links have their roots primarily in the dual track pricing system. In brief, to a very large degree, the numerous conflicts we have in our economic activity and the sticky movement we see is attributable to the fact that our prices are not well-ordered. From the standpoint of reform, it was not an error to suggest the need for price reform "belt-tightening." The error was due to the fact that we failed to earnestly study the type of economic environment and conditions that we required for "belt-tightening."

The goal of improvement and rectification is economic stability. However, economic stability does not mean that reform and development must bog down. We can only have strong economic stability when we seek stability in development and when we achieve the same through pressing forward with reforms. Only development that is built on a stable foundation is sound development, and only by pressing forward with reforms in a stable environment can we truly achieve mechanism transformation and achieve victory in our reforms. Thus, we absolutely cannot divide up improvement, rectification, and price reform like three separate layers of skin. Each must be allowed to work together with and push forward the others.

When we begin to carry out improvement and rectification in the fourth quarter of 1988, we faced an economic situation where an overheated economy had brought about material shortages, where city and town residents anticipated rises in commodity prices and so engaged in panic buying, and in addition, the forces of opportunism were causing trouble and commodity prices were going sky-high. At the time, if we had merely adopted economic measures, the slowdowns that would have occurred when the economic measures went into effect would have made it difficult to stabilize the situation. Thus, at the time it was both necessary and correct to

employ administrative means. However, some administrative means like controlling the scope of investment in basic construction and carrying out planned allocation and distribution of certain scarce materials are measures that must be effectuated over a long period of time. Other administrative means like closing down markets, carrying out specialized management, and freezing or covertly freezing commodity prices are extraordinary, provisional measures that can only be carried out for a short period of time because otherwise, normal side-effects in the movement of the economy would be blocked off. Once the momentum of currency inflation is brought under control, extraordinary measures of a provisional nature should gradually be abandoned and we should install price reform "belt-tightening" back on our agenda.

Putting order back into distorted prices through price reforms, replacing a dual track price system with a single track system, and adjusting prices that fall within a structured system is not the same as demand-type currency inflation brought on by excessive demand and too much currency. However, both can lead to rising commodity prices. And this leads to a contradiction between the goals of price reform and stabilized commodity prices. We require stable commodity prices, but stable commodity prices where the prices are distorted is no stability at all. The hindering effect of distorted prices on the movement of our economy is greater than the gains to be had from stable prices. Distorted prices themselves are a kind of restrictive, concealed inflation. A lower commodity price index is only meaningful with respect to lower, stable prices when this restrictive type of inflation is eliminated. If we adopt the administrative measure of freezing the prices of certain commodities so as to bring the rise in commodity prices to below five percent under conditions where prices are completely distorted, and then we again proceed with price reforms, the result will be that the commodity price index will go up and the rise could even hit double digits. This would be ill-advised and the people would have difficulty tolerating it. Thus, as we go ahead with improvement and rectification, we must combine adjustments and liberalized releases in a controlled, moderate way, and we must gradually put some order into distorted prices.

Specifically, we could proceed as follows: while controlling overall demand and the supply of currency, we can rigorously hold spontaneous price rises caused by excess currency to under three percent, we can give ourselves some room to carry out planned price adjustments, and we can keep commodity price increases brought on by price adjustments and the release of prices to between seven and eight percent annually. The dizzying commodity price rises in the third quarter of 1988 were highly displeasing to the people and they also raised the psychological tolerance of the people with respect to commodity price increases. Because of this, price adjustments and releases as per my plan above should basically be kept within a scope that the people can handle. Once we have finally put our distorted prices in correct order,



the overall commodity price index will rise roughly 50 to 70 percent. According to my plan, three to five years will still not be sufficient time to completely put prices in order. However, the irrational price structures that have led to losses in all lines of business and that have brought us "counter-adjusted prices" can basically be fixed.

In other words, we cannot sharply divorce price stabilization and price reforms and assign them to mutually exclusive stages. No, both must be carried out together. On the one hand, we must work to stabilize prices, bringing commodity price rises down a little bit each year. And on the other hand, we must gradually put some order into distorted price structures. Some prices can be ordered through adjustment, and others by releasing them unto the market. As for the sequence of doing this, we can combine adjustment and release, or we can first adjust and then release. However, basically speaking, reform prices should create the mechanisms, and market mechanisms should be used to supply us with fairly correct price signals. Precisely for this reason, we must successively eliminate administrative regulation over commodity prices that were originally set free but that were again brought within administrative control in 1989. The key to controlling the overall level of commodity prices lies in seeing that the macroeconomic administrators correctly handle the relationship between supply and demand and that they maintain a relatively relaxed economic environment wherein overall supply is somewhat greater than overall demand. The method we adopted a short time ago of assigning to the local levels targets for controlling rises in the commodity price index only gave the local levels one or two percentage points within which to adjust prices, and the local levels had very little room within which to maneuver. Thus, the local levels of government had no choice but to adopt various administrative means to keep the consumer price index within the mandated target. This had many side effects. Many areas paid a fairly heavy price in trying to keep commodity prices down. Some local governments could not bear up under the increased subsidies they had to pay. In other places, mounting enterprise losses took their toll on the future production activities of the enterprises. And in other places, as prices grew even more distorted, the effort to bring supply and demand together was hampered. Thus, the localities should do their best to preserve commodity price stability, but the regulations that prescribe rigid targets for controlling rises in commodity prices should be done away with as soon as possible.

As we work to adjust irrational price structures, control and reduction of price subsidies should be a major goal of ours. As for the deficits caused by the fact that the cost of foreign exchange conversion for export commodities exceeds the selling price and the fact that different price systems at home and abroad mean that the price to import a commodity exceeds the selling price, we should gradually reduce and eliminate the subsidies we now pay in these areas by reforming our foreign trade system and making adjustments in the exchange rates. At the same

time, we should cut back on price subsidies paid for nonessential industrial products by perfecting our system of contract management and by heightening efficiency through enterprise reforms. And, as for agricultural products other than grains, the price of which is affected by temporarily unfortunate changes, all other commodities should see their subsidies reduced by gradually either raising the prices or else by cutting back on par-price supply. This can both lighten the financial burden on government, helping to overcome the problem of heavy expenditures and meager income, and it can solve the problem wherein products in short supply "are regulated more as their supply grows shorter, and in turn their supply grows shorter the more they are regulated."

The dual track system for production materials is a big problem in our economy right now. To put some order in the prices of production materials, we should follow the principles of "combined adjustment and release, and combined adjustment and regulation," and should make distinctions among the actual situations with respect to different lines of industry and different products, proceeding from the easiest jobs to the more difficult ones. As for the few enterprises, public businesses, and scarce and vital production materials where the state enjoys a monopoly, and this includes such things as oil, electricity, the railroads, aviation, important nonferrous metal products, tap water, ticket prices for public city buses, postal rates, foreign exchange prices, and public housing rents, we should proceed with a combination of price adjustment and price regulation where the state directly fixes and adjusts these prices. In doing away with the dual track price system with respect to these items, we can set a single track level of planned prices arrived at by taking the average level of planned prices and market prices. As for such things as machinery and electronics, and such raw materials where supply and demand is in balance like cement and glass, we can release the prices unto the market, doing away with the dual track system in favor of a single track price system. As for the few large groups of products like coal, steel products, and chemical industry products, we can merge the price tracks product by product, with the state fixing prices (set prices or floating prices) or amounts for those products that must be subject to unified allocation or that are scarce, and with the state releasing the prices for those products where supply and demand is in balance. As for commodities the price tracks of which would be difficult to merge in the short term, we can do such things as adjust the planned price upward to an appropriate extent and control the selling price for individuals or else control demand, any of which will allow us to gradually reduce the price disparities and alleviate the contradictions.

There are many economic benefits to be gained from adjusting prices and putting order into distorted prices. However, in working through this process it is unavoidable that the overall level of commodity prices will rise somewhat. Hence, wage adjustments and price adjustments must be joined together, and we must ensure that

not only will adjustments in commodity prices not adversely impact the actual standard of living for the residents of the cities and towns, but that their standard of living goes up a bit.

There are many ways to link wages and commodity prices. One way is to carry out indexing where wages and commodity prices are directly tied to each other. Another way is to directly link up wages and commodity prices through the annual wage hikes. The latter method gives the state more room to maneuver, it would correspondingly be helpful in bringing about structural adjustments in wages, and it would possess a good deal of drive and flexibility. However, we must keep on making annual adjustments to wages, and we must see to it that the annual rate of nominal wage increases is somewhat higher than increases in commodity prices so that the lives of the people improve a bit each year. At the same time, the rate of improvement in the lives of the people must be somewhat lower than the rate of growth in the national income, we cannot let things get out of control, and we must abide by the principle that we can go through lean times but we need not starve to death.

Price reform is a major "critical juncture" in the reform of our economic system. This "juncture" is one that always must be gotten through. That is, we must create conditions for "getting through the critical junctures," and we must study ways of doing it as well. As we work to replace the dual track price system, various mutually antagonistic systems and policies will coexist. The new mechanisms will have not yet taken hold, and the old ones will still exert an influence. This means that reforms cannot fall into place like dominoes, and that we will not be able to avoid various ups and downs and complications in the process of reform. We must stand willing to pay the necessary costs, and we cannot shy away from the risks that must be faced. Rather, we must act quickly to take advantage of the opportunity presented to us in the course of our economic development, pushing ahead with price reforms, and promoting the smooth transition of our economic system from a dual to a single track.

#### **Zhang Zhuoyuan Calls for Expanding Reform**

90CE0473A Chongqing GAIGE [REFORM] in Chinese  
No 4, 20 Jul 90 pp 11-12

[Article by Zhang Zhuoyuan (1728 0587 0337): "Promote Reform While Continuing To Improve the Economic Environment and Rectifying the Economic Order"]

[Text] China's more than one year of improving the economic environment and rectifying the economic order has already achieved quite tangible results. The economy has cooled, the pace of industrial growth has declined, and the extent of price increases during the first quarter of 1990 dropped five percent or more. At the same time, there has also been slow commodity sales, greater financial difficulties, and increased numbers of people unemployed. In dealing with these problems,

some comrades are of the opinion that improvement and rectification have been achieved, that the policies of retrenchment should be curtailed, that what is important at present is that social demands are not being met, that it is necessary to relax credit, and that a relatively large increase in fixed assets investment is needed to prevent the economy from going into a greater downward slide. I think these things are worth further study. On an overall basis, the present improvement and rectification have still not been achieved, the six targets of improvement and rectification have still not been effected, aggregate social demand and especially latent demand still are quite large, and retrenchment will be a major task for the next several years if we are to maintain economic stability.

First, improving the economic climate, restraining inflation, and implementing the policies of retrenchment inevitably bring a decline in the pace of economic growth and an increase in the number of unemployed. This is a general law of social economic operations and the necessary price paid for curtailing inflation. It is no different in any country in the world. While the economy is being readjusted, those enterprises whose efficiency is low and whose products cannot be sold will be unable to compete in the market. Later, through equipment renovation and technical improvements, labor productivity will be enhanced. Only then will the economy be able to resume a sound cycle of activity. Thus the present slowdown in the pace of China's industrial growth and the increase in unemployment must be seen as the inevitable result of improving the economic climate and cooling off an overheated economy. It is a perfectly normal phenomenon. Looking at things from a middle- to long-range perspective, we still face the possibility of excessive demand triggered by increased impulsiveness. During this period, we still have to strengthen overall national capabilities, we still have to make arrangements for the employment of a growing labor force that is coming of age, and we still have to improve our standard of living. The increase in overall demand that all this will cause will generate pressures. However, we cannot ignore overheating and shortages because, in the interim, the market sale of some products are slow. In short, we must persist in improvement and rectification.

Second, once the present overall inflation has been initially contained, we must gradually give greater prominence to readjusting the product mix and industrial structure. The key to the success of improvement and rectification is whether, during curtailment of demand, we can genuinely readjust and optimize product mix and industrial structure, eliminate those enterprises with high consumption, with low efficiency, and whose products are poorly produced and high-priced, and develop products and industries with high efficiency and good sales. We must first strengthen agriculture and accelerate its growth in order to reverse its lag in growth since 1985 vis-a-vis the economy as a whole. At the same time, we have to accelerate the building of other basic industries and basic facilities and restrain indiscriminate development of the manufacturing industry, which for the past

several years has seen excessive growth. Only in this way can we properly coordinate proportionate relationships and raise the efficiency of resource disposition and microeconomic activities, thereby enabling the economy to grow in a sustained, stable, and coordinated manner. If we are to readjust the product mix, we have to make up for our defects and provide upgradings. Making up for our defects means strengthening agriculture and strengthening such basic industries as transportation, communications, energy, and raw and processed materials to thereby gradually moderate and eliminate the bottlenecks to economic development. Providing upgradings means enriching, transforming, and enhancing manufacturing industries and promoting their technical upgrading and the upgrading of their product mix to thereby change their backward state of high consumption and low efficiency.

Third, to advance the readjustment of product mix and industrial structure successively, we must, in today's increasingly market-oriented economy, speed up the drive for economic structural reform. Only by deepening reform can we overcome the various systemic obstacles to readjusting industrial structure and thereby form internal mechanisms for its continual optimization. For example, we must change the present distorted state of affairs regarding basic products and manufactured products and rapidly change the existing system whereby localities are responsible for their own finances. Having localities responsible for their own finances induces them to concentrate on projects that have "short deadlines, advanced technology, and fast profits" and on the production of manufactured goods which are high in price and which bring big profits. However, the financial resources of the central authorities are limited, and they are unable to meet the needs. Another example is that enterprises still have not shown themselves to be commodity producers and managers who are solely responsible for their own profits and losses. They are only responsible for their profits and still eating out the state's big pot. They require the state to be responsible for their continued low efficiency and poor product quality, and they cannot go bankrupt. As a result, enterprise employees cannot be discharged and become unemployed. In this way, we cannot form the mechanisms needed to eliminate what is inferior and promote what is excellent, mechanisms which would give enterprises and employees a sense of urgency and a sense of responsibility for increasing their efficiency and improving their products to gain competitive strength in the market. Consequently, if we are to put the economy on a sound cycle of activity by improving the economic structure and raising economic efficiency, we have to gradually enlarge the reform component and gradually put the mechanisms of change into effect.

Fourth, a major condition for optimizing the structure is straightening out price relationships. During the preceding period of improvement and rectification, the

disparity between overall supply and demand was moderated, the rate at which prices increased was controlled, and there was even a "buyers market" for some goods. This created a comparatively relaxed climate and a fine opportunity the price reform that people had all along been hoping for during the past several years. The several large price adjustment measures that have been announced since September 1989 have not greatly shocked the public or caused chain reactions. This proves that the time is ripe for speeding up price reform. We must seize this opportunity to speed up the announcement of price reform measures, to readjust the pricing structure, and to raise the producer price of coal, which for a long time has been too low, and to raise postal and electric rates. At the same time, we have to free up the prices of certain goods, the supply and demand of which is more or less in balance, especially goods nonessential to the basic lives of people. We should first of all free up the prices of those goods that originally had been freed up but were again in 1989 placed under control. Although the public was strongly dissatisfied with the 1988 rate of increase in price hikes—which went as high as 18.5 percent, this concurrently prepared them psychologically to accept such increases. Provided our system of wage compensation and social security can stay caught up, provided the annual rate of price increases can be held below 18.5 percent, and provided the rate of price increases declines each year, for example by one-two percentage points, then with careful planning, we can take advantage of this propitious time to make big strides in price reform. At present, we can adopt a more positive attitude toward merging the double track pricing system for capital goods. For instance, it would be well if we were able to merge the double system during the Eighth Five-Year Plan or even during a somewhat longer period. During the merging process, we must carefully adhere to market reform and concentrate our efforts on forming mechanisms for changing prices so that most of the goods will be channeled into the market track and a smaller number into the planning track.

Finally, we still have to persist in improvement and rectification, continue to stabilize the economy, and while moderating the disparity between overall supply and demand, gradually give prominence to readjusting industrial structure and economic structure and the work of optimization. Consequently, we must properly coordinate the relationships that improvement and rectification, reform, and development have to each other. As we are linking up and coordinating these three aspects during the Eighth Five-Year Plan, we must gradually step up the promotion of reform to provide a structural foundation for shifting the economy to a cycle of sound activity, use reform to promote improvement and rectification and to promote economic stability, and while there is stability, achieve the successful development of the national economy.

## PROVINCIAL

### Hunan Province's Construction of Highway Bridges Noted

*HK0510152390 Changsha Hunan Provincial Service in Mandarin 2300 GMT 2 Oct 90*

[Excerpts] Friends, do you want to know how many highway bridges our province has built, spanning the trunk streams of Xiang, Zi, Yuan, and Li Rivers, since the founding of the People's Republic? On the eve of the National Day, the director of the provincial highway administration (Ma Qiwei) gave a special account of this. When interviewed by our staff reporter (Liu Yafei), Director (Ma) unrolled a map and said: "Let us first look at Xiang Jiang. Since Xiangtan Bridge was built in our province in 1961, six large highway bridges have been built in Changsha, Zhuzhou, Hengyang, Qiyang, and (Chihe), all along Xiang Jiang."

Director (Ma Qiwei) then talked about the construction of highway bridges across the trunk streams of the three major water courses, Zi Jiang, Yuan Shui, and Li Shui.

From Director (Ma)'s account, the reporter learned that since liberation, our province has built 20 large highway bridges across the trunk streams of the above-mentioned four rivers, with a total length of more than 12,000 meters. [passage omitted]

Now our province has established a transportation network radiating in all directions along the four major water courses. For the 100 counties and cities out of the total 104 in this province, the days when motor vehicles had to ferry across rivers while en route to the provincial capital Changsha are now history. It used to take a full day's time to travel from the provincial capital to Changde. Today, this distance can be covered in four hours, by the same transport. The highway bridges spanning the trunk streams of the four major water courses of our province alone handle over 60,000 vehicles per day. [passage omitted]

After the highway bridge was built, cities like Xiangtan, Zhuzhou, Hengyang, and Changde, which had previously been cut apart by Juan He, were linked up into a whole, activating the development of new-type industrial zones one after another. The two Xiangjiang Bridges built in Xiangtan since liberation, for instance, save over 60 million yuan in transportation expenditures each year.

Toward the end of the interview, Director (Ma Qiwei) said to the reporter in a gratified tone: Apart from the existing 20 large highway bridges across Xiang, Zi, Yuan, and Li Rivers, there are still quite a number of highway bridges being constructed across them. With the appearance of more and more highway bridges, the economic construction of our province is bound to have another leap forward.

### Jilin Achievements in Capital Construction Reported

*SK0610033690 Changchun Jilin Provincial Service in Mandarin 2200 GMT 4 Oct 90*

[Text] Since the beginning of 1990, our province has made rapid progress in building the key projects of capital construction. During the January-August period, the accumulated volume of investments in capital construction reached 895.74 million yuan, which accounts for 53.3 percent of the annual investment plan, a 1.6 percent increase over the same period of 1989.

In implementing the program formulated by the central authorities with regard to improving the economic environment, rectifying economic order, and deepening the reform drive, our province has actively implemented the principle of ensuring key, planned, and productive construction projects while reducing non-essential, unplanned, and unproductive ones; accelerated the pace of projects in energy resources, communications, and raw materials; and under the quite strained situation in the external conditions of construction, has regarded the building of key projects as the strategic focus of economic construction to enhance the reserve strength of the province's economy. Judging from the current situation in the fulfillment of investments, localities across the province have done a better job in this regard and some have begun to yield results from the investments. A new vertical coal pit in the Hunchun mining area was put into production on 1 July and has shown an increase of 750,000 tons of raw coal in the area's capability. The province completed building and has put into operation in May this year the Lushuihe shaving board plant, which has, to date, turned out 6,000 cubic meters of shaving board. The highway between Siping and Hunjiang cities has been successfully completed and open to traffic. The Jilin oilfield has also scored marked results in its prospecting and developing operation. In the first half of this year, the newly increased capability of oil extraction was 156,000 tons. At present, the number of projects across the province whose investments have been fulfilled by more than 50 percent has reached 20.

### Liaoning's Haicheng-Xiuyan Railway To Open

*SK0510133890 Shenyang Liaoning Provincial Service in Mandarin 2300 GMT 4 Oct 90*

[Summary] The Haicheng-Xiuyan Railway, which has attracted the attention of people throughout the province, has been essentially completed after four years of construction, and will be open to traffic on 25 October. This local railway running from Haicheng to Xiuyan is one of our province's key construction projects during the Seventh Five-Year Plan period. This railway is 91.6 km long, with a total investment of 180 million yuan. After opening to traffic, this railway will play an important part in invigorating the economy of Liaodong peninsula and in developing the impoverished minority areas.



**Inner Mongolia Benefits From Open Policy**

OW1210080290 Beijing XINHUA in English  
0656 GMT 12 Oct 90

[Text] Hohhot, October 12 (XINHUA)—The Inner Mongolia Autonomous Region has entered a period of rapid economic development on the heels of China's nationwide drive to reform and open to the outside world.

Statistics show that the region's industrial, agricultural and animal husbandry output value went up to more than 22.2 billion yuan in 1989 from nine billion yuan in 1980.

Covering one-eighth of the total area of China, the region boasts 85 percent of the world's rare earth reserves and the second-largest coal reserves in China. It also has the largest grasslands and biggest domestic animal populations in the country. However, due to its isolated location in north China and the dead hand of the previous closed-door policy, Inner Mongolia remained economically backward.

But following the reform and open policy over the past decade, the autonomous region is developing barter trade and other forms of economic co-operation with the Soviet Union and Mongolia by using China's two largest land ports—Manzhouli and Erenhot, which are located in the region—opening two water ports and seven temporary centers for trading commodities, and developing communications and transportation facilities in the border areas.

The region's border trade with the Soviet Union and Mongolia totaled 467 million U.S. dollars by 1989 since it resumed barter trade with the Soviet Union in 1983, according to the economic and trade office of the region.

The office said that the region has established business relations with all parts of Mongolia and seven republics in the Soviet Union in the fields of animal husbandry, forestry, and science and technology.

Hulunbier League in the northeast part of the region is involved in more than 40 joint ventures with foreign firms, which cover farming, mining, wool and milk production, and processing farm, forestry and animal husbandry products. These projects are expected to turn out 700 million yuan in output value each year after they all go into operation.

While carrying out the open policy, the region has started more than 3,400 economic and technological co-operation programs with 26 provinces and municipalities throughout China since 1985. These programs focus on the metallurgical and light industries and have attracted a total investment of more than 900 million yuan from other parts of the country.

Meanwhile, the central government has decided to invest 30 billion yuan to develop resources in the region.

**State Approves 8 New Shipping Berths for Shandong**

OW1010223490 Beijing XINHUA in English  
1447 GMT 10 Oct 90

[Text] Jinan, October 10 (XINHUA)—The Ministry of Communications has completed its appraisal, and has approved eight new shipping berths, each with a capacity of more than 10,000 tons, in east China's Shandong Province.

The project includes: two berths to handle sundry goods; a 16,000-ton mineral ore berth; a 25,000-ton fertilizer berth; two 25,000-ton timber berths at Yantai port; and two timber berths at Shijiu port. Construction at Yantai port began in April 1985, and at Shijiu port in August 1987.

Local officials say that the operation of the new berths will further facilitate foreign trade and the use of overseas investment in Shandong.

**Shanghai's Industrial Production Increases**

OW0610231790 Beijing XINHUA in English  
1450 GMT 6 Oct 90

[Text] Shanghai, October 6 (XINHUA)—The industrial output value of Shanghai Municipality reached 10.085 billion yuan in September, three percent more than in the previous month and 8.1 percent more than in the same period of last year, according to statistics released here today.

In the first nine months of this year the municipality's total industrial output value reached 85.164 billion yuan, 1.4 percent more than in the same period of last year.

Because of sluggish markets and a shortage of funds, Shanghai's industrial production started to drop in September last year. But, after successful efforts for restructuring the products and improving their quality, production started to rise again in April this year.

Since May the industrial output value of the municipality has been kept at around 10 billion yuan.

The statistics show remarkable increases in the production of light industrial goods such as beer, soft drinks, matches, batteries, cosmetics, TV sets, video-recorders, washing machines and refrigerators, and some basic raw materials such as steel, nonferrous metals, ethylene, chemical fertilizers, pesticides, plastic sheeting, medicines and digital-controlled machine tools.

## INDUSTRY

### Major Cities Surpass 10 Billion Yuan Output Mark

OW0610230190 Beijing XINHUA in English  
1511 GMT 6 Oct 90

[Text] Beijing, October 6 (XINHUA)—The gross output value of 25 Chinese cities has surpassed 10 billion yuan each, and the per capita gross output value in 18 cities exceeds 4,000 yuan, according to the latest figures from the State Statistics Bureau.

An official at the bureau said that 80 percent of the 25 cities are located in the country's eastern areas.

He further explained that output values created by Sino-foreign joint ventures or solely foreign-funded enterprises were not taken into account when arriving at the figures.

The gross output value of all the 25 cities reaches 468.7 billion yuan, accounting for 30 percent of the country's total.

And the per capita gross output value of the 18 cities is much higher than the national average.

For instance, in Shenzhen City in south China's Guangdong Province, and Daqing City in northeast China's Heilongjiang Province—which are at the top of the list of the 18 cities—the per capita gross output values are 15,655 yuan and 13,603 yuan, respectively. These figures are some 10,000 yuan more than the national urban average.

### Statistical Bureau Reports Production Up

OW0710093390 Beijing XINHUA in English  
0923 GMT 7 Oct 90

[Text] Beijing, October 7 (XINHUA)—China scored a 7.5 percent increase in industrial production in September compared with the same period last year.

According to figures provided by the State Statistical Bureau today, last month's total industrial output reached 165 billion yuan in value.

The light industry registered an increase of 10 percent, while the heavy industry scored a rise of 5.1 percent.

Statistics issued here today show that in the first nine months this year, China's industry generated 1,402 billion yuan in output value, a 3.1 percent increase over the same period last year. The light and heavy industries achieved a 3.7 and 2.6 percent increase respectively as compared with the same period of last year.

China's industrial production maintained continued growth in the third quarter by recording a 2.9 percent rise in July, 4.6 percent in August and 7.5 percent in September as compared with corresponding periods last year.

Total industrial output value in the third quarter reached 475.33 billion yuan, a five percent increase over last year's same period and a little bit higher than the 4.1 percent growth scored in the second quarter this year.

But, analysts noted that the growth was not even in different parts of the country. In the July-September period, industrial production in east China and parts of central-south and northwest China recovered at a rate higher than the national average. The progress in the northeast and parts of north and central-south China was slow.

Due to market affects, production of some light industrial, textile and electronic products recovered at a low rate.

The energy and raw material industries recorded a low development in the third quarter due to insufficient demand.

Increase in energy production in the third quarter dropped to 2.9 percent from the 5.1 percent scored in the first half of the year.

According to the State Statistical Bureau, China had produced 114.74 billion yuan-worth of industrial goods for export in the January-September period, 37.1 percent more than last year's same period.

## FOREIGN TRADE, INVESTMENT

### Impact of Recent Renminbi Devaluation on Foreign Trade

#### Effect on Export Trade

90CE0480A Beijing GUOJI MAOYI WENTI  
[INTERNATIONAL TRADE JOURNAL] in Chinese  
No 7, 30 Jul 90 pp 29-30, 64

[Article by Chen Zhihong (7115 1807 1347) and Luo Shile (5012 0013 2867): "Effect of Reduced Exchange Rate on Export Trade"]

[Text] Although China's exports have continued to grow in the past few years, the growth rate has obviously slowed down. China's total exports increased 6.5 percent in 1989, falling from the 15.4 percent growth in 1987 and 25.8 percent in 1988 by 8.9 and 9.3 percentage points, respectively. At the same time, the slower growth has resulted in serious losses and falling returns in export trade. For this reason, the State Administration of Exchange Control, on authorization by the People's Bank of China, announced on 16 December 1989 the devaluation of the renminbi by 21.2 percent and the upward revaluation of foreign currencies by 26.9 percent in relation to the renminbi. How and to what extent the downward readjustment of the exchange rate will affect China's export trade is being followed with interest by people concerned at home and abroad. The following is our view on the impact of reduced exchange rate on exports.

In view of China's current situation in international payments, foreign trade, and dual exchange rate, the recent devaluation of the renminbi is really necessary and unavoidable. It has created favorable conditions and provided a good opportunity for efforts to stimulate exports, enhance the competitiveness of its export products, optimize the export product mix, reduce the financial burden on the state, and improve the economic performance of foreign trade enterprises. However, in the present economic environment with the coexisting and alternating two-tier system, it is very difficult for the reduced exchange rate to effectively promote exports. The effect, if any, will be very limited for the following reasons.

1. The effect of the reduced exchange rate is limited because of the present foreign trade control system. According to the principle of comparative advantages, the profit or loss in foreign trade is determined mainly by comparing the price ratio of the export commodity with the exchange rate. In export trade, the only profitable export commodities are those whose price ratios are smaller than the exchange rate. In other words, as a basis for the exchange rate of the renminbi to play an effective role in stimulating exports, the foreign trade enterprises must make profit, that is, economic gain, the sole purpose of their operations. But at present such a basis is lacking. Since early 1988, China's foreign trade system has undergone a series of reforms centering on "contracting" and characterized by "delegation of power and relaxation of control." The major change is the introduction of the system of "separating revenue and expenditure" between the central and local governments, under which the local governments are contracted to fulfil specific quotas on foreign-exchange earnings, the amount of foreign exchange to be turned over to the central government, and funds to help offset the financial deficit. This system has greatly invigorated the foreign trade enterprises. However, goaded by local interests and to fulfil quotas of foreign exchange earnings and the amount to be turned over to the central government, local governments at various levels have rushed to buy export goods at higher prices at home and cut prices abroad to remain competitive. As a result, in some areas the cost in terms of foreign exchange has increased, and export earnings have dropped. Under the circumstances, the reduced exchange rate can only bring temporary and directly perceivable economic benefit to the foreign trade enterprises, but has no obvious regulatory effect on export trade as a whole.

2. The effect of the reduced exchange rate cannot be brought into full play because of the inferior export product mix. At present, China's export mix is limited to relatively simple and low-grade products. Primary products, including agricultural and sideline products, local and special products, and crudely processed products account for about 60 percent of our total exports. The inferior export mix makes it impossible for China to take full advantage of the favorable situation brought by the reduced exchange rate of the renminbi, as the increased

demands for China's export products in the international market only weakens the effect of the reduced exchange rate on exports. This is because: First, there is little elasticity in the supply and demand of primary products. On the supply side, China's export products are mostly agricultural and sideline products and industrial raw materials, which are restricted by the seasonal nature of production, resources in reserve, and other natural factors, and there is very little room for elasticity. On the demand side, primary products are mostly articles for daily use, which have little use elsewhere as substitutes, and demand for which will not increase very much even when prices are dropping. Therefore, there is also little room for elasticity. Second, the prices of primary products are in a down trend in the international market, which to a very large extent offsets the stimulating effect of the reduced exchange rate on exports. Third, although the devaluation of the renminbi can increase the export of primary products in a short time, the export of large quantities of primary products at low prices is bound to aggravate the domestic shortage of agricultural products and industrial raw materials.

3. The reduced exchange rate will cause domestic prices to rise, which will to a certain extent offset the effect of the reduced exchange rate on exports. For a long time, especially in the last few years, the scale of investment in fixed assets and consumption have kept growing in China, and as a result total demand has greatly exceeded total supply. Under the circumstances, although the devaluation of the renminbi by the state will temporarily stimulate the growth of exports, the export of large quantities of primary products will inevitably aggravate the imbalance between domestic commodity supply and demand on the one hand and increase the cost of imports and hamper the effort to check cost-pushed inflation on the other. Because imports under China's state plans consist mainly of capital goods, technology, and equipment urgently needed for the national economy and the four modernizations, and food and other daily necessities, which are growing steadily and cannot be reduced despite the lowered exchange rate and increased import prices. The widening gap between domestic commodity supply and demand and the rising import prices, reinforcing and joining each other, will certainly cause the general domestic price level to bounce up and thus adversely affect exports and even the continued, steady, and coordinated development of the national economy as a whole. A vicious cycle will be formed as a result: lower exchange rate—increased exports, shortage in domestic commodity supply, and higher prices of imported commodities—rising domestic prices—rising costs of export goods, exports facing difficulty—lower exchange rate. According to estimates by persons of the international financial circles, for every 10-percent drop of the exchange rate of the dollar, the U.S. domestic consumer price index will rise about 1.5 percent.

4. The function of the reduced exchange rate to regulate the export product mix is weakened by the distorted price system. Because the demand and prices for precision and finely processed products are much more elastic



than for primary products, the devaluation of the renminbi has provided an opportunity for China to optimize its export product mix and increase exports of manufactured goods. However, China's price system has long been very irrational. Prices can neither indicate the true value of commodities nor reflect the relationship between market supply and demand. For example, the prices of agricultural, sideline, local, and special products, industrial raw and semifinished materials, and other primary products have always been too low, and the prices of light industrial products, particularly precision and finely processed products, have been too high, resulting in serious inequities between trades and products and wide profit gaps between enterprises. At the same time, the present price system is way out of line with the international market, causing even greater distortion of the prices of export goods and further widening the price gap between primary products and precision and finely processed products. Restricted by the present price mechanism, the reduced exchange rate can only have a clear stimulating effect on the export of primary products for a short period, as the effect will weaken gradually with the passage of time. It is worth mentioning that the export of large quantities of primary products at low prices is bound to aggravate the already serious imbalance between the supply and demand of primary products at home, which will not only lead to the gradual decrease in the quantities of primary products available for export, but also adversely affect the production and export of high-tech, finely processed, and precision products which use primary products as major raw materials.

5. The effect of the reduced exchange rate is affected by the way profits are distributed between the enterprises producing export goods and those exporting them. The economic advantage brought by the reduced exchange rate to the export trade is very obvious, but the effect of the added visible profit in stimulating exports will depend on how it is distributed. If the visible gain brought by the reduced exchange rate is passed on entirely by the foreign trade enterprises to the enterprises producing the export goods in the form of increased purchasing prices for the export goods, the producing enterprises will receive real benefit even after deducting the loss in the real value of the foreign exchange retained by them due to the narrowing of the gap between the official exchange rate and the market-regulated prices. This will have a definite effect in stimulating export goods production, but the foreign trade enterprises will continue to lose money as before, which will inevitably dampen their enthusiasm in organizing and managing exports, and the large increase in purchasing prices for export goods is not in the interest of stabilizing domestic prices. If the foreign trade enterprises keep all this gain to themselves, the export-goods-producing enterprises will not only receive no benefit, but also suffer economic loss as the real value of the foreign exchange retained by them will decrease due to the reduced exchange rate, which will discourage them from expanding their production scale and making additional investment. The

two situations mentioned above show the negative effects the reduced exchange rate may bring to the export trade. If, according to the principle of equality and mutual benefit and equal sharing of profit, a part of the visible profit brought by the reduced exchange rate is transferred to the export-goods-producing enterprises in the form of purchasing prices, it will then be possible not only to reduce export losses and increase the economic returns for the foreign trade enterprises, but also arouse the enthusiasm of the export-goods-producing enterprises to produce more.

Moreover, the drop in exchange rate, though considerable, is still small compared to the rise in domestic prices and the average cost of export goods in terms of foreign exchange in the past few years. It is only a recognition of the already increased domestic prices and, to a certain extent, a correction to the over-valued previous exchange rate. Needless to say that its effect on exports is bound to be limited.

In short, owing to the influence of the above-mentioned factors, the role of exchange rate as an important tool of macroeconomic regulation is very limited. We hold that to put an end to the present situation of stagnation and lack of momentum in exports and get our export trade out of its difficulties, the downward readjustment of the exchange rate is neither a practical choice for the reform of the foreign exchange control system nor a good way to stimulate exports and curtail imports. Therefore, to give play to the role of the exchange rate in regulating the macroeconomy and export trade, it is imperative to further reform the foreign trade system in depth, rationalize the various economic relations between prices at home and abroad and within the foreign trade system itself, optimize the export product mix, improve export product quality, strengthen management and administration, and effectively build up the export momentum. At the same time, it is necessary to properly handle and harmonize the relations between price, tax, finance, credit, and other economic levers and to combine the various economic levers in a rational and optimum manner at the right time to form a joint force to promote exports and curtail imports. Only in this way will it be possible to turn the exchange rate into a really effective lever to propel the economy and stimulate exports.

#### Measures to Offset Adverse Consequences

90CE0480B Beijing GUOJI MAOYI WENTI  
[INTERNATIONAL TRADE JOURNAL] in Chinese  
No 7, 30 Jul 90 p 31

[Article by Wen Jianjun (2429 1696 6511): "Suggestions on Measures To Offset the Adverse Initial Effects of the Reduced Exchange Rate on the Economy"]

[Text] Judging by past experience in readjusting the exchange rate in China, owing to the serious disparity between China's domestic market commodity prices and international market prices, the unsound foreign trade

system, the irrational export product mix, and tardy reactions to rate changes, the initial economic results of a downward readjustment of the exchange rate are usually quite unsatisfactory. In order to meet the economic expectations with actual results right after the exchange rate is readjusted, we must implement the following measures this year to avoid the adverse effect of the exchange rate readjustment on the economy in the early period of implementation.

1. The devaluation of the renminbi should be carried out in coordination with the policy to tighten up the money supply. In the past, we failed to coordinate the downward readjustments of the exchange rate with a proper currency policy, and the economic results were not good. We should, in the early period of the devaluation of the renminbi, adopt a tight money policy, strictly control the amount of money in circulation, and prevent the expansion of production and consumption demands so that the devaluation of the renminbi can have a greater impact on China's foreign trade and economy.

2. The devaluation of the renminbi should be coordinated with the reform of the price system and the tax system. China's present price system is extremely unreasonable and seriously hinders the use of exchange rate as an economic lever. Therefore, it is imperative to reform the price system, let the prices of goods and services be controlled by the law of value, and link the domestic market closely with the international market. At the same time, the devaluation of the renminbi should also be coordinated with the reform of the tax system. A retroactive resources exploitation tax or a higher export tax should be levied on exports of resources to prevent the export of resources at very low prices and in excessive quantities. For exports of manufactured goods, the indirect taxes collected previously at various links should be returned. These tax measures will effectively promote exports of finely processed goods, relatively reduce exports of primary products, improve the export product mix, and get the export trade out of the vicious cycle from the reduction in exchange rate to the low standard of the export product mix.

3. It is necessary to further strengthen the business operations of the foreign trade enterprises and hasten the change of the foreign trade system in the direction of a commodity economy. In the past, the main task of China's foreign trade enterprises was to earn foreign exchange, with profit as a secondary objective. Therefore, the enterprises did not react strongly to changes in exchange rate. To make the downward readjustment of the exchange rate last year produce a sound cycle of economic activities, it is imperative to fully implement the contract management responsibility system in foreign trade and, on this basis, to encourage the contracted foreign trade enterprises to turn from the dual objective to a single objective of making profit. This calls for giving the foreign trade enterprises greater managerial authority, gradually reducing their contract foreign-exchange earning obligations, and raising the profit target as a criterion of their performance. Financially,

state subsidies for losses in export should be gradually reduced and replaced by tax rebates. In this way it is possible to increase the vigor of the foreign trade enterprises, encourage them to shift their operations toward the single goal of making profit, and increase their ability to respond to changes in market and exchange rate.

4. It is necessary to improve the foreign-exchange market and increase the efficiency in the use of available foreign exchange. To achieve the specific goals of readjusting the exchange rate, there must be a sound foreign-exchange market. At present, a foreign-exchange market is beginning to take shape in China, but its functions are limited and far from meeting the goal of optimizing the use of foreign exchange. Therefore, to digest and assimilate last year's reduced exchange rate before the end of this year, it is imperative to improve the functions of the foreign-exchange market, fully develop a foreign-exchange regulating market, speed up foreign-exchange circulation, and increase the efficiency in using foreign exchange. The major task at present is to overcome the shortcomings of the foreign-exchange control system itself, put an end to the sluggishness of the regulating market, open up new foreign-exchange resources, control the volume and direction of the flow of foreign exchange, and avoid the adverse impact of the market foreign exchange prices on the state prices following the downward readjustment of the exchange rate.

### Reorganize Shanghai Joint Ventures Into Stock Corporations

90CE0502A Shanghai JIEFANG RIBAO in Chinese  
13 Aug 90 p 5

[Article by Guo Chun (6753 4783) and Jin Zhongyuan (6855 6850 3293): "Reorganize Chinese-Foreign Joint Ventures Into Stock Corporations on a Trial Basis With Shares Issued at Home and Abroad To Bring in More Foreign Capital"]

[Text] Today, as we continue to improve the economic environment, rectify the economic order, carry out in-depth reforms, and open wider to the outside world, the reorganization on a trial basis of Chinese-foreign joint ventures from limited-liability companies (hereafter referred to as limited companies for short) into limited-liability-stock corporations (hereafter referred to as stock corporations for short), whose shares will be issued to the public and institutional investors at home and abroad, is a pioneering task worth being studied.

The existing stock corporations and Chinese-foreign joint ventures in Shanghai are all relatively well-developed and in good conditions. They have advanced technologies, readily marketable products, and good economic returns. If Shanghai's multiple advantages can be brought into full play and a breakthrough can be achieved in reorganizing the Chinese-foreign joint ventures into stock corporations, it will then be possible to bring in more foreign capital through the issuance of negotiable securities (mainly shares), thus broadening

the channels to attract more investments from abroad; break through the time limits to cooperation, and thus reduce the pressure on enterprises to repay foreign loans; overcome to a very large extent the limitation that long-term funds can only come from additional investments by both the Chinese and foreign parties of joint ventures or from bank loans, enabling enterprises to open up new channels to raise long-term funds; and carry out appropriate reforms in enterprise organization and management, exploring new forms of joint Chinese-foreign ventures and alleviating certain problems in the management of stock corporations.

Correspondingly, Shanghai's stock market, which is beginning to take shape, can give full play to its functions in raising production capital, providing important economic information, reducing investment risks, promoting the rational flow of funds, and providing all kinds of financial services for the development of an export-oriented economy. This experiment will undoubtedly be helpful in opening up new channels for bringing in more foreign capital, solving the financing problem for the development of Pudong, further improving Shanghai's tangible investment climate, enhancing the competitiveness of Shanghai enterprises in the international market, and accelerating the development of Shanghai's securities industry.

#### **Tentative Plan for Reorganizing Limited Companies into Stock Corporations**

##### **I. Share Structure**

When a limited company is reorganized into a stock corporation, two principles should be followed in establishing a share structure: The first is to protect the interests and rights of both parties to the original Chinese-foreign joint venture. At the time of the reorganization, it is mandatory to reevaluate all existing assets of the enterprise according to international practice. The difference between the revalued existing assets and the original total asset value, that is, the increased asset value, should be shared by both parties to the joint venture in proportion to their original investments. Under normal circumstances, the increased asset value can be converted into shares and treated as additional investments of the joint venturers. At the same time, as founders of the enterprise, the original parties to the joint venture should retain equal control of the stock corporation after the reorganization, and new shareholders should be prevented from excessively weakening the balanced control of the original Chinese and foreign venturers. The second is that although before reorganization the original limited company's assets consist of two parts, one in renminbi and the other in foreign currency, after reorganization all shares must be of equal value, and that on the questions of share conversion, foreign exchange, etc., the rights and interests of both new and old shareholders should be really protected, and both new and older shareholders should be guaranteed of fair and equal benefits.

##### **1. Common Shares and Preferred Shares**

After reorganization, a stock corporation's total assets should be the sum of the revalued total existing assets and the total value of new shares issued according to planned increase in capital. According to international practice, at the time a limited company is reorganized into a stock corporation, and for a period of time thereafter, it is better to issue only common shares. A stock corporation should wait at least until it is necessary to increase capital for the second or third time due to continued expansion of production scale before considering issuance of a certain number of preferred shares. The specific proportion of preferred shares in the total assets of a stock corporation is determined mainly by the amount of capital needed by the corporation for expanding the production scale and the demand for the corporation's shares in the stock market. The corporation should determine the number of preferred shares to be issued according to its own development plans and conditions and the money market situation.

##### **2. Holding Company**

If only common shares are issued, the 100 percent control enjoyed by the original joint venturers over the enterprise will certainly be weakened, but a way can still be found in actual operations to protect the original joint venturers' legitimate interests and maintain their absolute control over the corporation. For example, the Chinese and foreign parties to the original joint venture can jointly set up a new holding company, which will own 75 percent of the common shares of the stock corporation after the reorganization, with the remaining 25 percent issued to investors at home and abroad. The 75 percent of the common shares will include all the existing assets revalued at the time of reorganization plus a part of the newly added shares, and the 25 percent of the common shares will all be new shares. As the new holding company owns most of the stock corporation's common shares, all major decisions of the corporation will actually be made by the newly set up holding company. The holding company also has the power to appoint board directors of the corporation or keep the original structure of the board of directors unchanged. In the new holding company, the original joint venturers own the same proportions of shares as before. Major decisions of the stock corporation must still be agreed upon by both parties to the original joint venture before implementation, and generally will not be influenced very much by the new shareholders.

##### **3. Renminbi and Foreign Currency Shares**

At present, the Chinese-foreign joint ventures in Shanghai involve investments in both renminbi and foreign currencies. To protect the interests of both parties to the original joint venture and guarantee additional funds needed for the development of the enterprise, it is necessary to have common shares in different currencies in proportion to the different currencies in the revalued total existing assets. This is a difficult problem

in reorganizing a limited company into a stock corporation. The crux of the matter is how to determine the equivalent values of each renminbi share and each foreign currency share. The writers feel that computations should be made separately according to the principle that the two sides of the original joint venture should take risks together and share profits and losses. The original investments made by the two sides should be computed according to the exchange rate on the books at the time of investment; the increased assets should be computed according to the exchange rate at the time of revaluation; and the prices of new renminbi shares and foreign currency shares to be issued for planned capital increases should be computed according to the exchange rate at the time of issue and with reference to the latest exchange rate of the Shanghai Foreign Exchange Regulation Center.

In the new shares to be issued for planned capital increases, the specific ratio between the amount of renminbi shares and that of foreign currency shares should be determined by the issuing corporation jointly with the sales agents according to the amounts of renminbi and foreign currency funds needed for the corporation's own development, the anticipated profit level, and a detailed study and analysis of the demand for stocks (including stocks in different currencies) in stock markets at home and abroad, the habitual preferences of investors, the trend of stock market price fluctuations, and other conditions. At present, taking into consideration Shanghai's actual conditions, particularly the need for foreign funds for the development of the new Pudong district, and in order to attract more foreign investment, the proportion of foreign currency shares can be increased suitably when issuing new shares for planned capital increases.

## II. Floating of Foreign Currency Shares

### 1. Scope of Issuance

In principle, the scope of the issuance of foreign currency shares should be decided between the two parties of the original joint venture. In the light of the present Chinese economic laws and regulations and the current state of the developing securities trade, the stock corporation should issue foreign current shares at home first to build up its reputation, expand its influence, and accumulate experience. Then it can choose the right moment to float its shares abroad and strive to get into the international money market.

### 2. Target Share Buyers

In principle, shares are to be sold mainly to the general public and institutional investors abroad and the existing Chinese-foreign joint ventures at home. Even shares floated domestically should be aimed mainly to bring in funds from abroad, first of all institutional investment from abroad.

### 3. Determination and Remittance of Dividends

The amount of dividend to be distributed at year-end by a stock corporation is determined by the board of directors according to the corporation's earnings, and there is no maximum and minimum limits. Renminbi shares earn renminbi dividends, and foreign currency shares earn foreign currency dividends. In order to encourage foreign businessmen to invest in the stock market, investors abroad should be allowed to remit overseas dividends and income from dealings in stock according to the Regulations on Foreign Exchange Control and after paying the proper taxes stipulated by the state. To prevent our country's foreign exchange earnings and outlays from being thrown out of balance by the remittance of large sums of foreign exchange overseas, appropriate measures should be adopted. For example, preferential terms can be offered to encourage foreign businessmen to reinvest dividends and income from stock dealings, or it can be stipulated that remittances must be spread out from the date dividends are distributed this year to the date of distribution next year.

## III. Circulation of Foreign Currency Shares

After approval has been granted to float foreign currency shares, consideration should be given to setting up a foreign currency stock market in Shanghai. Transactions should be made openly with prices posted publicly and fluctuating along with market changes. Suitable time and place should then be chosen to put the shares in stock markets abroad.

## Questions That Require Attention in the Course of the Experiment

### I. Legislative Questions About Reorganization of Limited Companies Into Stock Corporations

The current experiment in Shanghai on the adoption of the stock system by domestic enterprises is faced with many problems and disputes regarding the nature of the enterprises, taxes, finance, administration, and so forth, because relevant laws and regulations are still lacking. To carry out the experiment on reorganizing the Chinese-foreign joint ventures in Shanghai from limited companies into stock corporations, it is necessary first of all to really solve the legislative problems involved. In order to push forward and insure the smooth progress of the experiment, a special group should be formed jointly by the departments concerned to study such questions as the nature of Chinese-foreign joint stock corporations, taxes and financial affairs, appraisal of assets, foreign exchange management, stock transfer, registration as a legal person, share structure, and so forth, and formulate specific regulations on the administration of Chinese-foreign joint stock corporations and regulations governing the issuance and circulation of foreign currency shares, to serve as Shanghai's local laws or administrative regulations and create the necessary legal environment for the experiment.



## II. Steps To Float Shares Abroad on an Experimental Basis

The experiment to reorganize Chinese-foreign joint ventures from limited companies into stock corporations and float shares abroad should follow the principle of vigorous but prudent efforts and proceed in three concrete steps.

First step: From among the existing Chinese-foreign joint ventures in Shanghai, a number of limited companies, which have sound basic conditions, good economic returns, balanced foreign exchange receipts and outlays with a surplus, and a pressing need to expand production scale, should be selected for reorganization into stock corporations on an experimental basis. At the same time, a special counter for foreign currency stock transactions should be set up in the Shanghai Stock Exchange to operate in coordination with the experiment on the stock system by the Chinese-foreign joint ventures in the city.

Second step: After one or two years, when the Chinese-foreign joint stock corporations in Shanghai have developed to a certain extent, a number of fairly well-known large stock corporations should be chosen to float shares abroad through the agency of Chinese financial institutions overseas. The next is to find some fairly well-known financial institutions overseas for cooperation and select suitable stock exchanges (the Hong Kong United Stock Exchange, for example) to put shares of the three kinds of partially or wholly foreign-owned enterprises in Shanghai on the market.

Third step: After about five years, when the number of Chinese-foreign joint stock corporations in Shanghai has increased to about 20, one or several strong financial institutions in Shanghai should take the lead in engaging some fairly strong and well-known financial institutions abroad to raise a specific amount of foreign capital to be used as the Pudong Development Fund. The Fund is to be raised by the overseas financial institutions and managed jointly by the Shanghai financial institutions and the overseas fund-raisers. The fund raised will be invested mainly in stock corporations whose shares have already been floated abroad and newly established stock corporations in the new Pudong district, and a suitable number of preferred shares will also be issued.

In carrying out the above-mentioned three steps, attention should be focused on the newly established Chinese-foreign joint stock corporations in the new Pudong district and domestic stock corporations. The issuing of stocks at home and abroad can raise funds, foreign and domestic, for the development of the new Pudong district. In Pudong, stocks will continue to play a major role in raising funds and attracting foreign investment. The development of the new Pudong district will stimulate the economic growth of Shanghai as a whole.

## III. Further Strengthening Shanghai-Hong Kong Cooperation

Further expanding and strengthening Shanghai-Hong Kong cooperation will be of great significance to Shanghai's experiment in reorganizing Chinese-foreign joint

ventures into stock corporations and floating foreign currency stocks. Shanghai and Hong Kong should cooperate on a more extensive scale in the industrial, financial, trade, and scientific and technological fields, bringing the strong points of both into play, complementing and benefiting each other, and prospering together, so that a new financial axis of the Asian-Pacific region can be formed between the two places. Internally this axis, backed by the vast China inland, will become a major fund-raising and loan market. Externally it will reach out to the Asian-Pacific region and the world, provide more choices for international investors, and gradually become a new international financial center.

## IV. Taxes After Reorganization of Chinese-Foreign Joint Ventures Into Stock Corporations

As shown by the present experiment on the stock system conducted by domestic enterprises, the determination of reasonable tax rates is an important question. To avoid detours in the experiment to reorganize Chinese-foreign joint ventures into stock corporations, we must handle with care the relationship between business income tax and personal income regulatory tax after distribution of dividends and bonuses on individual shares and the question of tax rates. After the reorganization of present Chinese-foreign joint ventures into stock corporations, the procedures for the collection of business income tax, tax rates, and preferential terms should in principle remain unchanged to avoid double taxation and excessive tax burden. At the same time, reference can be made to the relevant provisions for the collection of income taxes when foreign joint venturers remit out from China the profit distributed to them by the joint ventures (also called remittance tax), and remittance tax at similar rates can be collected from overseas shareholders, when they remit dividends and bonuses out of China.

## Foreign Trade Reform Suggestions Proposed

90CE0498A Beijing GUOJI SHANGBAO in Chinese  
21 Aug 90 p 1

[Article by Zhou Daren (0719 6671 0088): "Suggestions for Foreign Trade Reform"]

[Text] In order to speed up and deepen foreign trade reform, the State Council decided in 1988 to spread the foreign trade contract system nationwide. At the end of 1990, the three-year contracts will expire. We should now summarize the past three years of experience in implementing the foreign trade contract system in order to improve and perfect the contract system and start new contracts next year.

This writer proposes several suggestions that concerned departments should consider when making decisions about the contract system. The proposals include who will contract, compensating for the amount of foreign exchange retained, popularizing the system of full financial responsibility, allocating foreign exchange quotas only to those who supply goods, and changing management of foreign exchange quotas.

1. Who will contract to export goods and earn foreign exchange? After three years, in which provinces and municipalities undertook contracts for the state, the consciousness of earning foreign exchange for the state has been strengthened among all levels of government and their components, as well as among export-oriented enterprises and manufacturing enterprises. All of them have started paying great attention to foreign trade, foreign capital, and foreign economic work. This writer proposes that the tasks of exporting and earning foreign exchange must be assigned to provincial and municipal governments, just as all levels of government bear the financial task of earning revenues. All provincial and municipal governments must also finish the task of turning over their foreign exchange earnings to the state (with compensation), like they do when fulfilling state financial targets. As for what specific management measures to use, we can follow the method of the base contract system carried out by financial departments.

2. We should compensate for the amount of foreign exchange retained. From now on, regardless of whether one has to hand some foreign exchange over to the state, one will have to pay compensation on the retained portion. This is a good method of using economic means to manage foreign trade, and will benefit and strengthen import and export management. It can also prevent the excessive proliferation of import-export enterprises, and reduce the effects resulting from their forcing up prices and panic buying of supplies of goods in the domestic market and cutting prices and competing for sales in the international market.

3. We should popularize the system of full financial responsibility for businesses in foreign trade. This system will make foreign trade management business-like. It will overcome the bureaucratic way of doing business and avoid the phenomenon of eating from one big pot. An experiment begun in 1988, in which enterprises in the light, handicrafts, and clothing industries drew foreign exchange earnings according to an inverse ratio of two to eight and also assumed full financial responsibility, was a success. From the perspective of bank credit, this writer has found that managers in import-export enterprises which assume full financial responsibility have reinforced the consciousness of independent management. They do not fear taking from those who have too much and giving to those who have too little. There are many advantages in enterprises assuming full financial responsibility.

The first advantage is that enterprises are more strongly conscious of fulfilling export plans set by the state.

The second advantage is that the sense of economic accounting has increased. Enterprises strive to sell their products abroad at good prices. Cost accounting is used in every contract concluded. They have changed to doing the accounting before a sale rather than after it. They also now check and appraise the prices of commodities

they purchase. They have changed from making a purchase before doing accounts to making a purchase after doing accounts.

The third advantage is that the self-adjusting mechanism has been strengthened. In order to speed up capital turnover and save on storage fees and interest costs, enterprises try to put overstocked commodities which are unsalable in the international market on sale in the domestic market.

The fourth advantage is that the concept of risk has formed. Even when companies who have assumed full financial responsibility make profits, they still have to take into account what to do in case of a loss. For example, in 1988 the adjusted foreign exchange rate was high and most enterprises made profits. However, they consciously supplemented their own circulating funds and increased their own risk funds. In 1989, when the adjusted foreign exchange rate went down and the renminbi exchange rate fell, the sources of purchasing funds decreased. Yet the enterprises all withstood it and continued to make profits in 1989.

4. We should adopt the method in which those who supply export goods are given foreign exchange quotas. Under the premise of compensation for foreign exchange quotas, this writer suggests adopting the method where foreign exchange quotas are given only to those who provide goods for export. This is done in order to solve the problem of interior provinces and municipalities and coastal areas competing for exports. This means that those who supply goods for export will get foreign exchange quotas. This new method will help provinces and municipalities which supply exports to meet their targets for turning over foreign exchange earnings to the central government and meet local needs for foreign exchange for imports.

Allow enterprises which produce and supply export goods to retain 12.5 percent of their foreign exchange earnings as their own foreign exchange quota. This amount can cover their needs for foreign exchange for imports.

5. We should change the current method in which all foreign exchange earnings must be turned over to the state, which then allocates quotas to subordinates.

In summary, some of the developments in the midst of reform are the formation of a national system to earn foreign exchange by implementing foreign trade contracts and compensating for foreign exchange which is retained. Popularizing full financial responsibility for enterprises will increase overall economic returns. Deciding to give foreign exchange quotas only to those who supply goods for export will bring the initiatives of both coastal and interior areas into full play. Simplifying management of foreign exchange quotas is the eager desire of all departments concerned. The above suggestions are considered a continuation of the reforms in the current foreign trade system, and also as the perfection and deepening of such reforms.

## TRANSPORTATION

### Tianjin Utilizes Sea Water in Industry

OW0510221090 Beijing XINHUA in English  
1627 GMT 5 Oct 90

[Text] Tianjin, October 5 (XINHUA)—Two sets of equipment with a daily output of 3,000 cu m of desalinated sea water were set up and put into operation recently at the Dagang power plant in Tianjin.

The plant has been using sea water to cool electricity generators since 1978, using a total of 720 million cu m each year.

Statistics show that 70 electric power plants, petrochemical and printing enterprises in China's coastal cities of Dalian, Tianjin, Shanghai, Qingdao and Ningbo use sea water as an industrial coolant; some four billion cu m of sea water is used in this way annually.

Desalination is one of the major steps in the improvement and utilization of sea water. The techniques used include distillation, reverse osmosis and electrodialysis.

By last year, 200 sets of desalination equipment had been installed on various kinds of ships and on offshore petroleum platforms. Each can produce five cu m to 30 cu m of fresh water every day.

In addition, more than 5,000 tons of bromine can be extracted from sea water every year to be used in the petrochemical industry and in manufacturing medicines.

### China Set To Join International Shipping Convention

HK0610041490 Beijing CHINA DAILY in English  
6 Oct 90 p 3

[Text] China, one of the world's major shipping powers, is preparing to join an international shipping convention which aims to simplify administrative procedures for ocean-going vessels.

The requirements for joining the Convention on Facilitation of International Marine Traffic are now being studied by the Chinese Ministry of Communications and the customs administration, according to an official from the ministry which is in charge of both inland water and ocean transport.

The convention, affiliated to the International Marine Organization (IMO), now has 60 member countries, including all leading shipping countries except China and Japan.

It was created by the IMO in 1965, with the aim of simplifying and standardizing the procedures for international ocean-going ships to call, stay and leave any open ports in the world, the official said.

He said that earlier last month, the ministry, with the help of the IMO, had sponsored a week-long training

course in Guangzhou on the movement of marine traffic, attracting more than 100 people.

The training course, at which foreign experts had been invited to give speeches, was intended to help Chinese understand the convention and pave the way for China joining it, he said.

With the increasing volume of ocean-shipping trade, he said, facilitating the movement of marine traffic had become an issue of common concern to all countries.

Under the convention, cargo and ship owners are only required to fill in eight forms or transmit them through computer, the official said, adding that currently, all foreign ships were asked to fill in at least 12.

## AGRICULTURE

### Food Import, Export Strategies Discussed

90CE0510A Beijing NONGYE JINGJI WENTI  
[PROBLEMS IN AGRICULTURAL ECONOMY]  
in Chinese No 8, 23 Aug 90 pp 34-35

[Article by Xu Xianquan (1776 6343 2938) and Li Yongjiang (2621 3057 3068), Ministry of Foreign Economic Relations and Trade's International Trade Research Institute: "Research and Tactics in China's Intermediate and Long-Term Food Import/Export Strategy"]

### [Excerpt] [Passage omitted] China's Food Import/Export Situation

As far as imports are concerned, China experienced worsening grain shortages at end of the 1950s and began to import grain in 1961. In the 1960's and '70's China generally imported about 5 to 7 million tons of grain annually. At the end of the 1970's, to create conditions necessary for rural reform and to alleviate peasant burdens, China increased grain imports until they reached 15 to 16 million tons per year during the latter half of the 1980's. We became a major buyer on the world grain market, accounting for about 8 percent of all grain imports worldwide. Imported grain comprised about 4 percent of total domestic grain consumption. Wheat was the major grain imported, accounting for about 90 percent of all Chinese grain imports, and it went primarily to supply grain rations for coastal urban residents. China is also a major importer of raw sugar. In the past few years we have imported an average of over 2 million tons of raw sugar per year; at the same time exporting a small quantity of refined sugar. In the 1950's China was an exporter of edible vegetable oils, but imports have grown steadily since the 1960's. In the past few years imports have exceeded 1 million tons per year and we have become a net importer of vegetable oils, primarily palm and soybean oil.

As for exports, in the 1950's agricultural products comprised 50 percent or more of all exports, and grain exports accounted for 30 percent. At the end of the



1960's exports of traditional agricultural products like grain, soybeans, vegetable oils, and so forth gradually declined and food products began to account for a smaller and smaller percentage of total exports. In the past few years this percentage has fallen to 15 percent or so, though exports still exceed imports. In 1989 China exported \$6.14 billion worth of food products and imported \$4.19 billion worth. We have retained our status as a net exporting country because exports of other foods and processed foodstuffs, primarily vegetables, fruits, aquatic products, meats, tea, oil-crop seed, soybean dregs, dried fruits, and various canned foods, have increased substantially. The growth of these food exports has compensated for shrinkage in exports of traditional food products. Growing exports of processed foods have improved China's food export mix.

#### General Strategy for Food Imports, Exports in China

Based on the international environment and actual domestic conditions described above, the basic ideas and overall import/export strategies to resolving China's food problems are:

1) A solution to China's grain problem must come from within, developing agricultural production must be our first priority, increase agricultural inputs, make use of scientific and technological capabilities, reclaim wasteland, make suitable increases in procurement prices, stimulate production initiative among the peasantry, and use every means to raise grain production. Yet we must not adversely affect cash crop production.

2) When we consider our shortage of agricultural resources, the difficulty in expanding average per capita grain holdings becomes clear. We must adopt a suitable consumption policy and come up with an economical, scientific variety of foodstuffs that reflects China's special characteristics.

3) As we explore a new course for the food industry we must change our traditional emphasis on grain and expand horizons to encompass all modern foods and all edible foodstuffs.

4) Grain imports in China are limited by a shortage of hard currency and by domestic harbor handling and shipping capacities. It is also affected by unstable supplies and rapid price fluctuations on the international market. Thus we cannot invest our hopes in large-scale increases in grain imports.

5) The focal points of China's food export development strategy are: to improve the food export mix, moving away from raw foodstuffs and toward processed foods; to work unceasingly to increase the level of processing, improve product grades, and develop in the direction of high value-added products; to produce more diverse, higher quality, more convenient goods; to fill international market needs and develop well-known, superior, specialty products from our distinctive natural resources; and to develop natural, safe, healthful foods for export.

6) In terms of overall strategy, we must look at food imports and exports as an integrated unit, taking advantage of both domestic and imported resources, considering both domestic and international market needs, making the best use of advantageous trends, taking part in the international division of labor, transforming natural resources, and ensuring that we achieve a prudent distribution of resources. We should actively develop agriculture geared to earning foreign exchange, increase sources of marketable goods, and expand exports of processed food products. To make the best use of China's superior labor resources, we should develop food processing industries that utilize both purchased and provided ingredients, thus increasing foreign exchange income. We must strive to preserve the favorable balance of trade in food products or to maintain an import-export equilibrium.

#### Major Strategic Measures and Policies for Food Imports and Exports

1) **Grain:** We can solve China's grain supply problems only through our own efforts, but for the time being and for a long time to come we must continue to import some grain. We can fill the gap between supply and demand by maintaining or slightly increasing the current import level, which averages 15-16 million tons of grain per year. Grain imports must be kept under suitable control. Until the end of this century, grain imports should not exceed 20 million tons per year. It would be best to adopt a pluralistic strategy on sources of grain imports to ensure a steady supply. To achieve stable supplies and preferential prices, we can consider signing long-term supply agreements with the major grain-exporting nations.

Wheat will continue to be the major imported grain, primarily to supply grain rations for coastal urban residents. As for exports, we should strive to export more husked rice. Because husked rice sells for roughly 50 percent more than wheat, we should raise rice quality and processing technology. Soybeans are a major source of protein for both people and livestock, and the protein content of both food and fodder in China are seriously inadequate. To develop our livestock industry, we should export little or no soybeans, especially soybean dregs. Corn should not be exported, and when necessary we can import corn to develop animal husbandry and aquatic breeding.

We should improve domestic communications and transportation conditions and increase our transport capacity. Harbor handling and shipping capacities need to be improved, we must acquire more facilities for transporting and storing surplus grain, and we should reduce waste in the shipping process.

2) **Sugar:** Raw sugar is one food that China imports in large quantities. We have been slow in developing sugar production, while demand has grown quickly. For a long time to come, sugar production in China will be insufficient to meet consumption and the need to import some

sugar will remain. We can meet domestic market demand if we maintain total imports at 2 million tons per year. On the international market sugar supplies generally exceed demand and the price is relatively low. It is advantageous for China to develop other cash crops and processed foods to export in exchange for sugar imports. We can sign long-term supply agreements with major sugar-exporting nations to secure a stable supply and favorable prices. Given the favorable price parity between raw sugar and refined sugar, we might consider importing raw sugar for processing and export refined sugar.

**3) Vegetable Oils:** China still has the potential to produce more vegetable oil and should actively expand rapeseed production. In recent years, imports have been large, to the detriment of domestic oil-crop production. We should raise tariffs and decrease imports of vegetable oil, particularly light oil. We can continue to import a certain amount of heavy vegetable oil, such as palm oil, needed in the food industry. In the future we should restrict total imports and reduce them below current levels.

**4) Aquatic and Marine Products:** In the past few years the aquatic breeding industry has grown rapidly in China and exports of aquatic and marine products have mushroomed. In 1989 we exported 1 billion dollars worth of aquatic and marine products. There is still considerable exporting potential: for one thing demand is increasing on the international market, and for another there are favorable conditions for developing the aquatic breeding industry in China. We can increase output of aquatic and marine products, intensify our level of processing, and encourage more exports of highly valuable marine delicacies.

**5) Vegetables:** In recent years vegetable exports have expanded quickly in China and there has been significant growth in demand for them on the international market. In 1989 we exported \$1.6 billion worth of fruits and vegetables. China has excellent vegetable growing conditions, and we should acquire well-known and superior varieties from various nations to establish a production base for vegetable exports. We should develop certain vegetables that produce high economic returns, such as asparagus and exotic kidney beans. Rewards are greatest for exporting fresh vegetables, but we need to decide upon preservation techniques. We must improve processing and manufacturing technology, expand quick-freezing, dehydration, and canning of vegetables, and emphasize diversification in vegetable varieties.

The diversity and quality of fruits China once exported has declined; we are not internationally competitive. We must speedily correct this situation, cultivate a good variety of fruits, and focus on developing exports of famous, distinctive, Chinese fruits such as litchis, Hami melons, Yali pears, and Chinese chestnuts.

Tea is a traditional Chinese export. In 1989 we exported 200,000 tons of tea, earning \$400 million in foreign exchange. Right now China exports mostly low-grade

tea. To expand tea exports we must raise product quality, improve processing techniques, and develop high-grade teas. We must also diversify our tea varieties. In addition to exports of black tea and green tea, we can also develop fine oolong teas, scented teas, and other specialty teas to increase sales.

### Diagnosis of Poisoning in Cattle

91CE0026A Beijing ZHONGGUO SHOUYI ZAZHI  
[CHINESE JOURNAL OF VETERINARY  
MEDICINE] in Chinese No 6, 11 Sep 90 p 2

[Article by Yi Zeliang (2496 3419 5328), Ningxiang County Livestock and Aquatic Products Bureau, Hunan Province: "Diagnosis and Treatment of Plow Water Buffaloes Poisoned by Butachlor (0002 5430 5143)"]

[Text] Butachlor, the chemical name for which is N-(butoxymethyl)-2-chloro-N-(2, 6-diethylphenyl)-acetamide [0059 0044 1015]-N-[0002 8638 3946 1015] [3048 0044 7913 2583 0058 5143], and which contains 60 percent butachlor emulsion in the finished product, is a new pre-emergent herbicide used on paddy fields that is effective against many different kinds of paddy field weeds, is strongly selective, and maintains effectiveness for a long period of time (lasting from 30 to 40 days following application). It is currently a fairly ideal paddy field herbicide. Butachlor is toxic to man, and can cause poisoning through skin contact. During June and July 1987, the writer diagnosed and treated three cases of butachlor livestock poisoning, which are reported below.

1. Pathogenesis: Butachlor is a new herbicide used on paddy fields about whose toxicity the public is not sufficiently informed. When a field to which butachlor has been applied is farmed, should a plow water buffalo eat the grass along the edge of the paddy, drink water from the paddy field, or wallow in the field, various degrees of poisoning will result from ingestion or widespread skin contact. Onset of the disease is relatively slow (averaging approximately 18 hours for the three cases).

2. Clinical Manifestations: The first signs that an animal is stricken are a halting walk, lassitude, food rejection, a halt to cud chewing, saliva running from the mouth, and constant trembling of the lower jaw and chewing muscles. Sometimes the animal makes chewing motions, its face becomes swollen, its nose becomes dry, it has a temperature of between 38.5 and 39.2 degrees C, respiration is between 28 and 36 times per minute, and heart rate is rhythmical at between 62 and 68 times per minute. The animal's dung is relatively dry (like the dung of an ox), and with mucous on the surface; urination is slight and the urine is yellow; and gastrointestinal peristaltic sounds are weak. This is followed by dementia, and a fixed gaze or failure to see things. Sometimes the animal's pupils dilate, its head droops or it props its head motionlessly against a wall, and large quantities of yellowish-green acidic and putrid stomach fluid flows from its mouth. The mouth is slightly open; moves back

and forth slightly, and trembling of the chewing muscle fibers becomes more pronounced. When the animal lies down, it extends its head forward to touch the ground, and its eyes are half closed.

3. Treatment Procedures: Where poisoning occurred through skin contact, the skin was washed with soap and water first. Where poisoning occurred through ingestion, a mixture of 60 grams of sodium bicarbonate, 250 grams of artificial salt, and 500 grams of talc were administered orally just once. Then, a mixture containing 1,500 ml of a 10 percent glucose solution, 300 ml of a 50 percent injectible sodium bicarbonate solution, and 20 ml of a 10 percent caffeine and sodium benzoate solution was injected intravenously. On the following day, a mixture of 100 ml of a 20 percent sodium sulfadiazine solution and 1,000 ml of a 10 percent glucose solution was injected intravenously. After these procures were completed, the animal's condition showed improvement. The amount of fluid running out of its mouth decreased; its lower jaw and chewing muscles trembled less; its gastrointestinal peristaltic sounds grew stronger; and its temperature was normal. However, it continued to exhibit hydrocephalic symptoms. After an intravenous injection of 1,000 ml of a 20 percent mannitol solution, and 1,000 ml of a glucose solution, the animal passed more than 5,000 ml of urine within an hour, and it raised its head, no longer resting it against a wall. It continued to reject food, however. A 50 ml intramuscular injection of 0.25 percent bicycline [3024 6357 0668 7227] was given, and 500 rhubarb and soda tablets were administered orally. Treatment using Chinese medicine consisted of the administration of flavored peptide powder, the formula for which was as follows: 60 grams of atractylodes rhizome [Rhizoma Atractylodis], 60 grams of magnolia bark (Cortex Magnoliae Officinalis), 30 grams of orange peel, 60 grams of tuckahoe [Poris cocos], 45 grams of umbellate pore fungus [Polyporus umbellata], 60 grams of rhizome of oriental water plantain [Alisma plantago aquatica var. orientale], 60 grams of larger headed atractylodes rhizome [Rhizoma Atractylodis Macrocephalae], 250 grams of talc, 90 grams of rhubarb, and 30 grams of fresh licorice all simmered in water and administered orally. Two cases recovered within five days, and one case recovered within seven days.

#### 4. Brief Conclusion and Discussion.

1. Butachlor poisoning is not difficult to diagnosis through detailed questioning about the onset of the illness and clinical manifestations. Butachlor persists in fields from from 30 to 40 days, a point with is frequently overlooked by livestock owners. This point should be given particular attention during questioning.

2. Clinical observation of three butachlor poisoning cases showed halting walking, and acidic and putrid stomach juices running from the mouth. When the tongue was depressed, a thin dung-like substance flowed from the mouth. The mouth was slightly open; the lower jaw and chewing muscles trembled; vision was blurred;

and dung tended to be dry; and gastrointestinal peristolic sounds were weak. Subsequently, hydrocephalic symptoms appeared.

3. Butachlor is an acetallinide compound that readily hydrolyzes in water and loses effectiveness in alkaline conditions. Treatment consists of first administering an alkali together with a caccagogue in order to hydrolyze the residual toxin in the digestive tract or to eliminate it in the stool or urine. A hyperosmotic glucose solution is injected to help the liver break down the toxin and the kidneys to eliminate it. Sodium sulfadiazine is given to prevent infection, and mannitol is used to eliminate fluid from the cerebral ventricles, lower pressure inside the cranium, and improve cerebral circulation. Clinical verification shows the treatment to be rather satisfactory.

4. Inasmuch as this is a new illness, its toxic mechanism and effective methods for eliminating the toxin require further study.

#### Hunan Corn Area

40060005B Changsha HUNAN RIBAO in Chinese  
27 Sep 90 p 2

[Summary] This year the corn area covered with plastic film in Hunan Province is 420,000 mu, the average per mu yield will reach 320 kilograms and gross output will exceed 130 million kilograms. In 1989 the corn area covered with plastic film was 150,000 mu and the per mu yield was 336 kilograms, compared to the 191 kilograms on uncovered corn fields.

#### Hubei Sets Rice Procurement Price, Grain Reserve

40060005C Wuhan HUBEI RIBAO in Chinese  
3 Oct 90 p 1

[Summary] Beginning 1 October, the lowest guaranteed price for negotiated purchases of early and semilate rice in Hubei Province is 35 yuan per 50 kilograms. Beginning in 1991, Hubei will set up a special grain reserve of 100 million kilograms.

#### Heilongjiang Corn Yield

40060005D Harbin HEILONGJIANG RIBAO  
in Chinese 6 Oct 90 p 1

[Summary] Corn accounts for nearly one-third of the grain area in Heilongjiang Province. This year the per mu yield will be 260 to 270 kilograms, exceeding the 1987 record of 252 kilograms.

#### Shandong Autumn Wheat Area

40060005E Jinan DAZHONG RIBAO in Chinese  
6 Oct 90 p 1

[Summary] As of 4 October, the wheat area in Shandong Province was 42,790,000 mu, fulfilling 59 percent of the planned wheat area of 73 million mu.

### Hebei Wheat Area

40060005A Shijiazhuang HEBEI RIBAO in Chinese  
7 Oct 90 p 1

[Summary] At present, the autumn wheat area in Hebei Province is 18 million mu, an increase of 1 million mu over the same period in 1989.

### Tractor Exports to Soviet Union

40060004F Beijing JINGJI RIBAO in Chinese 9 Oct 90  
p 1

[Summary] In the first half of 1990, China signed an agreement to export 8,000 small tractors to the Soviet Union in return China will import corn combines, large tractors and other farm machinery from the Soviet Union. The value of this barter trade agreement exceeds 100 million Swiss francs.

### Haihe River Resources Utilized

OW2010084490 Beijing XINHUA in English  
0831 GMT 20 Oct 90

[Text] Beijing, Oct 20 (XINHUA)—The water resources of the Haihe River have been brought into full use by China after more than 40 years' construction.

The utilization of the Haihe River's water resources is much greater than that of the Yangtze, Yellow, Pearl, Huaihe, Liaohe, and Songhua Rivers, the six largest rivers in China.

The Haihe River area is the most densely populated area in the country since many important cities including Beijing, Tianjin, Shijiazhuang, Tangshan, Baoding, Handan, Anyang, Xinxiang, Datong and Changzhi, are located along it.

These cities are China's main producers of fuel, electric power, iron and steel, chemicals, textiles, electronics, machinery and building materials, and have rich resources of coal, oil and iron ore.

The economically developed areas often experience long term water shortages. According to statistics for the period between 1956 to 1984, the yearly average surface water volume was 26.4 billion cubic meters and the yearly average individual water supply was 412 cubic meters per capita, much lower than the average level for the rest of the country.

To ease the demand for water, the Chinese Government has made great efforts to increase the use of Haihe River's water resources.

Since the founding of the People's Republic of China in 1949, the country has invested 6.41 billion yuan to build water storage systems and other related facilities.

Up to now, more than 1,900 reservoirs, with a total water capacity of 26.5 billion cubic meters, and 800,000 wells, used to irrigate 6.42 million hectares of land, have been constructed.

Canals that carry water to Beijing, Tianjin and Tangshan cities have also been built to make further use of the river's water resources.

At present, utilization of the available surface and underground water has reached 56 to 72 percent.

As the reservoirs were being built, 119 water power stations were also set up, creating a total installed generating capacity of 662,800 kw and an average generating capacity of 1.79 billion kwh each year.

### Zhejiang Reaps Bumper Cotton, Hemp Harvests

OW2410091390 Hangzhou Zhejiang Provincial Service  
in Mandarin 1000 GMT 21 Oct 90

[From the "Provincial Hookup" program]

[Text] Our province has reaped bumper harvests of cotton and hemp. As of 15 October, 44,300 tons of ginned cotton and 44,000 tons of jute and bluish dogbane were procured in the whole province. It is expected that 48,000 tons of cotton and about 105,000 tons of jute and bluish dogbane will be procured in this season, which are respectively about 14,000 tons and 7,000 tons more than last year. Since the procurement of cotton and hemp started, cotton and hemp farmers have eagerly sold their produce, thus significantly expediting procurement work, ensuring a fairly thorough implementation of relevant policies and maintaining good order in procurement.

### Grain Crops Acreage Increase in Autumn Sowing

OW2210091490 Beijing XINHUA in English  
0720 GMT 22 Oct 90

[Text] Beijing, October 22 (XINHUA)—China is expected to increase the acreage of over-winter crops by 3.6 percent, including 400,000 hectares more for grain crops, compared with the figures for last year, according to the State Statistics Bureau.

A survey of some 79,000 farmers in 681 counties nationwide showed that the area sown with grain crops will be over 16,300 ha, 1.7 percent more than last year, and the farmers will grow rapeseed on 3,500 hectares, an increase of 11 percent.

### Cereals, Oils, Food Export Volume Noted

HK2310110990 Beijing CEI Database in English  
23 Oct 90

[Text] Beijing (CEI)—Following is a list showing China's export volume of cereals, oils and food in September 1990, released by the General Administration of Customs:

Item	Unit	Sep 1990	Sep 1989
Pig	head	300,785	267,507
Poultry	in 10,000	458	392
Beef	ton	7,449	7,539
Pork	ton	11,483	11,827

Item	Unit	Sep 1990	Sep 1989
Chicken	ton	5,016	3,366
Rabbit	ton	2,217	1,292
Egg	in 1,000	36,068	44,230
Aquatic Products	ton	24,167	19,093
Fish	ton	4,695	3,787
Prawn	ton	2,329	2,449
Cereals	ton	494,960	638,919
Rice	ton	44,625	33,944
Soybean	ton	63,719	141,241
Pulses	ton	42,308	27,219
Maize	ton	306,928	392,813
Vegetables	ton	80,716	72,870
Fruit	ton	17,539	23,461
Apple	ton	573	1,336
Sugar	ton	92,509	48,774
Canned food	ton	36,992	46,826
Pork	ton	6,406	8,256
Vegetables	ton	22,434	29,253
Fruit	ton	5,357	4,452
Others	ton	2,794	4,865
Vegetable oil	ton	12,280	11,697
Peanut	ton	17,736	5,913

### Wool Purchases To Increase

HK2410022090 Beijing CHINA DAILY in English  
24 Oct 90 p 3

[By staff reporter Xie Liangjun]

[Text] Chinese commercial authorities plan to buy as much wool as they can from herdsmen this year in a bid to stop them neglecting their sheep-rearing work—a trend which has grown over the past two years.

According to officials from the Local Special Products Administration under the Ministry of Commerce, the State Council has allocated special funds to ask the Ministry of Commerce to buy an extra 50,000 tons of wool beyond the planned quota from herdsmen this year.

These efforts are designed to solve the problem of "hard to sell wool"—the reason why herdsmen have been deserting their sheep rearing work.

In the first nine months of this year, the officials said, state-run and collectively-run commercial departments bought 114,000 tons of wool from herdsmen, but only 58,000 tons had been sold.

Local governments had been encouraged to set bottom-line purchasing prices in a bid to ensure herdsmen's normal living standards, they said.

The lowest prices now average 6 to 7 yuan (\$1.27 to 1.48) per kilogram. Three years ago, the purchasing price for wool was 20 yuan (\$4.24) a kilogram.

Xinjiang, Inner Mongolia and Qinghai, where ethnic minorities live in compact communities, are China's leading wool producers. Their output accounts for nearly 80 percent of the nation's total.

And most local ethnic minority herdsmen make a living by selling wool.

According to the Beijing-based ECONOMIC REFERENCE newspaper, the local government in Xinjiang has taken steps to carry out the open-ended purchase of wool.

As of July 20, local commercial departments had bought 18,481 tons of wool from herdsmen, fulfilling 84.7 percent of their planned quota.

And in Inner Mongolia, commercial departments had purchased 33,473 tons of wool by the middle of August, accounting for 83.4 percent of their planned quota.

Officials said the State's commercial departments would cut back on imports this year because of the huge stockpiles of wool.

In 1988, China imported 180,000 tons of wool from other countries. Last year, it imported 104,000 tons.

This year, the officials said, the country would import 50,000 tons.

They said that in 1984 the State Council decided to list wool, which used to be under strict State planning, as a commodity whose price and demand would be regulated by the market.

### Xinjiang Develops Fish Breeding Capacity

OW2410083790 Beijing XINHUA in English  
0804 GMT 24 Oct 90

[Text] Urumqi, October 24 (XINHUA)—Live fish are available all the year round now for residents of Xinjiang Autonomous Region, which is located in the hinterland of Asia, 900 m above sea-level with dry, long and cold winters.

In 1984, the annual catch of fish in Urumqi was only 24 tons.

To feed its people with more fresh fish, the regional government set up a leading group in charge of aquatic production in 1984.

In 1985 the Urumqi Municipal Government and the regional government allotted 9.9 million yuan for the



construction of the Hongyan Aquatic Products Company—the largest modern fresh-water fish breeding base in the country.

In 1988, the base's 13 mu (about 0.86 ha) fish-breeding ponds produced 814 tons of fish, averaging 60 tons per mu.

More than 1,000 tons of fresh fish were provided for Urumqi citizens in 1988, an increase of 40 times over the figure for 1984.

In 1989 a total of 1,350 tons of fresh fish were sold on the markets in Urumqi.

This year's output is expected to reach 2,500 tons, which is 100 times the figure for 1984. And the output of the state-owned fish farms is expected to reach 3,000 tons by 1992.

The company not only produces 2,000 tons of commodity fish and can artificially incubate 100 million fish fries annually, but also trains aquatic products breeding personnel for Urumqi.

In addition, the company also provides fish fries for other provinces in the country and exports its breeding technologies abroad.

The company recently offered a total of 250,000 fish fries to Guangzhou, and it has also signed contracts with two Soviet republics to set up lukewarm flowing fresh-water breeding bases there.

### Beijing Residents Eat More Fish

OW2410111890 Beijing XINHUA in English  
1042 GMT 24 Oct 90

[Text] Beijing, October 24 (XINHUA)—A Beijing resident eats an average of 4.6 kg of freshwater fish annually now, compared with only 0.28 kg in 1979.

This is attributed to the efforts made by the Beijing municipal government over the past few years to develop freshwater fish farming.

Zhang Yuchun, deputy manager of the Municipal Fresh-water Fishing Company, said that there are now more than 900 freshwater fish farms with a total of 8,000 hectares in suburban Beijing.

He said that his company provided the Beijing market with 39.5 million kg of freshwater fish last year, and this year the figure will be some 50 million kg.

### September Imports of Cereals, Oils Listed

HK2710065990 Beijing CEI Database in English  
26 Oct 90

[Text] Beijing (CEI)—Following is a list showing the volume of China's import of cereals, oils and food in September 1990, released by the General Administration of Customs:

Item	Unit	Sept 1990	Sept 1989
Cereal	ton	1,272,429	954,280
Wheat	ton	1,230,201	882,264
Soybean	ton	38	39
Sugar	ton	65,438	86,035
Animal oils and fats	ton	8,501	4,673
Edible oil	ton	38,808	46,663
Other oils	ton	132,013	89,902

### Hybrid Rice Helps Increase Grain Production

OW2610130590 Beijing XINHUA in English  
1245 GMT 26 Oct 90

[Text] Beijing, October 26 (XINHUA)—China grows 15.4 million ha of hybrid rice annually, making up 45 percent of the total rice sown areas and about half of China's rice output.

A hybrid rice expert from the Ministry of Agriculture said the increase in hybrid rice acreage is one of the major steps for China to increase grain production.

According to the expert, China plans to expand its hybrid rice areas to 17 million ha next year and 19 million ha in 1995.

In the next five years, he said, China will make greater efforts to promote these rice seeds in southern China's Guangdong, Fujian and Hainan Provinces and the Guangxi Zhuang Autonomous Region.

### Hubei Builds 16 Grain Bases

OW2710110390 Beijing XINHUA in English  
0831 GMT 27 Oct 90

[Text] Wuhan, October 27 (XINHUA)—Hubei Province, one of China's leading grain producers, has completed 16 grain bases, each providing 200,000 tons of commodity grain annually, over the past eight years.

These bases cover an aggregate area of 1.31 million ha. They can turn out 10.3 million tons of grain each year, accounting for 42.5 percent of the total grain output of Hubei, said Deng Daokun, director of the provincial Department of Agriculture and Animal Husbandry.

The province is preparing to construct another six grain bases of the same size in the next few years, at a cost of 20 million yuan.

### Animal Husbandry Develops Rapidly in Xinjiang

OW2710110290 Beijing XINHUA in English  
0830 GMT 27 Oct 90

[Text] Urumqi, October 27 (XINHUA)—The output value of animal husbandry in the Xinjiang Uygur Autonomous Region, one of the five major livestock producers in China, is expected to reach 1.4 billion yuan (about

three billion U.S. dollars) this year, 110 million yuan more than last year, according to local statistics.

By the end of this year the livestock herds are expected to total 35 million head, and 12 million animals will have been slaughtered. Apart from local consumption, seven million head of the slaughtered animals will be put on the market.

Meanwhile, Xinjiang's output of meat, milk and wool will reach a record 290,000 tons, 330,000 tons and 49,500 tons, respectively.

In the past five years the acreage of cultivated and improved grassland has reached over two million ha. More than 40,000 new pens for animals have been built. At the same time, fine breeds and advanced management methods have been adopted.

The rapid development of animal husbandry has also promoted the development of animal-product processing. There are now wool spinning mills with a total of 80,000 spindles and 16 dairies. Besides, every county in the region has at least one meat-processing factory. Tanneries have also been set up in many places.

This year the region will be able to provide 6,500 tons of beef and mutton for export. Meanwhile, local woolen products have been selling well in the international market.

#### Meeting on Plant Research, Application Opens

OW2810164790 Beijing XINHUA in English  
1533 GMT 28 Oct 90

[Text] Wuhan, October 28 (XINHUA)—The research and application of plant physiology in China has reached an advanced level, according to a national meeting that opened here today.

The fifth meeting of the China Association of Plant Physiology reported that more than 4,000 Chinese scientists are engaged in the study of plant physiology, compared to 200 in the 1950s. The contingent is the largest under the International Association of Plant Physiologists.

In recent years, China has made remarkable progress in theories of photosynthesis, nitrogen fixation and plant growth through molecular- and cell-level research.

With successes in raising test tube seedlings, China has set up a system in this field for hundreds of plant, including vegetables, fruit trees, flowers and grain crops, which has laid down a solid foundation for the study of genetics and bio-engineering. China has also made outstanding progress in developing and applying herbicides and fresh fruit and vegetable preservatives.

Moreover, China has succeeded in using artificial hormone in developing agriculture, forestry and animal husbandry.

At present, the country is exploring ways to integrate plant physiology with molecular genetics, microbiology and ecology, and promoting studies in molecular biology, electronic biology, geo-ecology and space-ecology.

### Political Attitudes of College Students in Beijing

90CM0313A Hong Kong CHING PAO [THE MIRROR] in Chinese No 156, 10 Jul 90 pp 48-50

[Article by Hsu Hsin-you (6079 1800 0645) entitled: "An Investigative Report on Political Attitudes of Current University Students in Beijing"]

[Text] Recently, "internal material" entitled "Overcoming the Emotional Crisis Is the Primary Task for Currently Stabilizing Society: A Survey of and Reflections on the Political Attitudes of Current University Students in Beijing" has circulated among political work cadres at colleges and universities in Beijing. This is an "investigative report" on the state of political thought of Beijing university students in the aftermath of last year's 4 June events; the report was done by the Beijing Institute of Social Psychology. The institute clearly suggested the subject of the investigative report to the party bureau. Although the survey was conducted in November of last year (the report was published in SHEHUI XINLI YANJIU [Social Psychology Research] No 4, 9 February 1990), it is still very helpful in understanding the attitudes of Beijing university students following last year's political disturbances. Thus the main findings of the report are presented in the following text.

#### How the Survey was Conducted

The report asked what sort of changes have occurred in the political attitudes of both university students and society as a whole after the political disturbances in April to June last year. This question is of interest to the whole society. In order to promptly understand the change in the thoughts of university students, in November 1989 the Beijing Institute of Social Psychology conducted a random survey of 2000 students at 16 colleges and universities in Beijing. In the sample, the proportion of students in each grade was as follows: first-year students, 18 percent; second-year, 32 percent; third-year, 18 percent; fourth year 20 percent; and graduate students, 12 percent. The proportion of students in each specialty was as follows: liberal arts, 21 percent; science, 32 percent; engineering, 23 percent; and others, 25 percent. Of the students surveyed, 61 percent were male and 39 percent were female. The institute referred to domestic and foreign survey materials related to university students when designing the survey topics. The survey was conducted on the aspects of political attitudes, value concepts, moral precepts, life styles and occupational desires. The survey concluded with an open-ended topic: "Describe, in one sentence, your innermost thoughts and feelings." This topic was designed in order to facilitate the understanding of the deeper thoughts of university students. Based on this, the institute also convened a symposium of a portion of the political work cadres in the colleges and universities. The symposium emphasized understanding the trends in thoughts and behavior of students from the time they enter school in order to supplement the survey with useful material. Overall, 1755 questionnaires were returned, which was a return

rate of 87.8 percent. It is evident from the quality of the survey's written responses that some students expressed relatively strong political fears and depression, and did not dare or were unwilling to answer some of the more sensitive questions. Some students did not write down their "innermost thoughts and feelings," and some only wrote, "I won't say," "I don't dare say," or "I am unwilling to say." However, looking at the overall results, the survey still reflects the thoughts of university students relatively truly, and is certainly representative. Because of this, the report holds that the responses may be taken as a measure of the general state of affairs of current attitudes and behavioral trends of Beijing students.

#### The Current Political Situation Remains The Focus of Attention and Interest

The report states that the survey results indicate:

1. The attention and interest of current university students in Beijing continues to be focused on changes in the current social and political situation and on the country's future. The political fever remains very high.

In the section where students wrote down their "innermost thoughts and feelings," the majority of students expressed great concern for and interest in the current social and political situation. When more than 400 university students were surveyed and asked, "What problem concerns you most," more than 80 percent cited social, political, and economic problems. Also worth noting is that the concern that current university students have for politics is manifested in an outward coolness and an inner heat, with the outward indifference masking an inner impatience, although with the "thwarting" of the campus upheaval a portion of the students have become politically detached. Yet the majority of students are not like this; rather they have turned in the opposite direction, and become even more strongly concerned with the political situation. This is also reflected in some of the survey's later questions. The students are primarily concerned about social questions in the following areas:

A. Many university students are greatly concerned about the country's economic condition and its prospects for development, and this is one of the relatively prominent traits of the survey. But they do not understand the economic problems the country currently faces, nor their causes, and lack an ideological base for getting through difficult times. Apprehension concerning the economic situation has produced a sense of lost hopes.

B. The phenomenon of corruption in society and its control is still one of the central concerns of university students. Students from practically every grade wrote about this topic in the section on their "innermost thoughts and feelings." Some students wrote that they "hoped the movement to eliminate corruption was genuine, and not irresolute or merciful. This will have an impact on the future and fate of our party and country."

Many students still complained that central authorities were lax in controlling corruption.

C. Promoting democratic politics remains an urgent hope of university students. But the thoughts of a great many students reflect the fact that they do not have a genuine understanding of democracy.

D. Many students complained about the poor general mood of society. They also expressed dissatisfaction with the government not doing its best to govern.

E. Education and the treatment of intellectuals: university students are concerned with the problems of education and the treatment of intellectuals. They basically concentrated on macroscopic ideas, like the important function of education and intellectuals in modernizing the country. At the same time, there was a tendency to link this with their own interests. On this point, university students are in agreement with numerous intellectuals.

F. A clear characteristic of the political attitudes of university students is an extreme interest in the impact of changes in Eastern Europe and the Soviet Union on the future of socialism. Some students, who previously did not read newspapers, scrambled to read them following the events in Romania. The number of people listening to the Voice of America increased significantly. One of the central topics students discussed linked the situation in Romania to the current political situation in China and to the historical fate of socialism in general. Also worth emphasizing is the fact that a portion of the students linked the events in Romania with the events of 4 June in China, which strengthened some misunderstandings. Also, these understandings had a certain social basis.

#### **Dissatisfaction Has Actually Increased Somewhat**

2. The fact that there is an increase in real dissatisfaction and lost hopes is a clear expression of the special attitudes of university students as reflected in this survey.

On the one hand, writings in the "innermost thoughts and feelings" column expressed relatively prominently the students' anxious hopes to see the country strong and prosperous. For example: "I hope that China can soon extricate itself from its current difficulties, and that the Chinese people can stand tall among the people of the world." "I hope that the deepening of reform will make the country prosperous as quickly as possible!" There were many responses such as these, which reflected positive social psychological resources. On the other hand, when they conducted a real evaluation of the society, they expressed relatively strong dissatisfaction and were dispirited.

3. Many students eagerly hope that the government can govern the country well, and lead the people towards prosperity and strength. However, the degree of real trust in the government dropped tremendously.

In the questionnaire, innermost thoughts and feelings reflect the students' hopes for the government. Examples are "I hope the government will truly work on behalf of the people" and "I hope the government will reform, strictly punish official profiteering and corruption, and raise people's living standards." They are consistent with the students' concerns about the current social and political situation.

However, the survey data also reflect that at least roughly half of the students are dissatisfied with and do not trust the government. This point is confirmed in the "innermost thoughts and feelings" column. For example, there were many responses similar to "China's future is dismal," and "I have lost hope for the Chinese government." The survey reveals that emotional alienation leads to a loss of political faith, and many university students do not believe or are unwilling to believe the words of leading government cadres. With regard to rumors, they would rather believe in them than not.

#### **An Increasing Number Support a Multi-Party System**

4. Doubts continue to increase concerning two fundamental propositions (the four upholds and reform and opening up), and there is a clear increase in the proportion of those who disagree with adhering to the leadership of the Communist Party and maintaining the socialist system.

The survey data indicate that there is little doubt that half the students hold a positive attitude on upholding socialism and the leadership of the party, and close to 30 percent of the students support the idea that if the government system changes orientation, strengthening party leadership should still be upheld. However, more than 70 percent of students support a multi-party system and separation of powers should the government system change orientation; this is a great increase when compared to results of a survey done in March 1989. For example, support for a multi-party system, which was 18 percent in March of last year, increased to 46.5 percent in November.

The survey also indicates that demand for reform remains a common desire of university students. Some 50 percent of the students believe that reform and opening up is the way to strengthen the country, and 49 percent agreed with the view that "improvement and rectification creates conditions for deepening reform and ensuring its healthy development." This illustrates that students have an ideological basis for supporting reform. However, the actual evaluation of reform was relatively low, with 54 percent of the students not optimistic about the future of reform. Although this was lower than the figure from the March 1989 survey (which was 66 percent), the "innermost thoughts and feelings" column reflected the fact that current university students have very little enthusiasm for reform. The dissatisfaction with and lost hopes for reform are also reflected in the evaluation of the Chinese Communist Party and the



current government, strengthening some concepts already held by university students.

5. Many students continue to nurse grievances about the political disturbance between April and June of 1989. Some students seem to have a greater resentment, and there is even a desire to reevaluate the political events of this period.

Here are some examples of what students wrote in the "innermost thoughts and feelings" section. "The events of April to June await the judgment of history." "History is made today, but it will only be evaluated correctly tomorrow; truth is not might, and violence is not eternal. China has an old saying, 'If revenge has not come, it's because the time is not yet right.'" One student wrote, "History and the future will bear out everything we have done. Now we only wait in silence, but one day the matter will become clear. The people will become real masters of the country. History is ruthless and impartial." "Your bodies and names will perish, but the river will flow on forever." Another wrote, "We were not mistaken!" Still others wrote, "I hope that the Party Central Committee and the government will not make things excessively difficult for university students, or beat them to death with a rod. Ultimately, we are China's tomorrow, have mercy on us! We are under tremendous psychological pressure; everyone in society criticizes us."

The survey concludes by noting:

1. There is a definite disparity between how a lot of students understand the campus upheavals, turmoil, and rebellion which occurred from April to June 1989 and how party authorities understand it.

2. During the campus upheavals, not only did students' understanding of some questions not keep pace with the suppression of the rebellion or the political education which followed, it also experienced a substantial change. They are relatively focused on the two slogans of "opposing corruption" and "freedom and democracy," which are still of great interest to current university students.

3. The investigative work carried out after the rebellion was suppressed has placed tremendous psychological pressure on students, creating resentment and opposition. In addition, following the suppression of the rebellion, the government has successively drawn up several policies related to the student interests, and as a result some students believe that "the government has waited until after the political movement to settle accounts with the students."

4. Nursing grievances, refusing to accept the situation, and perfunctorily performing one's duties are some of the major characteristics of the attitudes of current university students. After the investigative work at the schools was completed, in the summaries students submitted, 100 percent of the students indicated that their understanding had changed. In reality, however, a rather

high degree of unacceptance and misunderstanding remains concerning the political events of April to June 1989.

#### **Poll on Political Views of Mainland Students in U.S.**

90CM0418A Hong Kong PAI HSING [THE PEOPLE]  
in Chinese No 223, 1 Sep 90 pp 12-14

[Article by Ku Wei-chun (7357 3634 5028): "Results of Public Opinion Poll of Chinese Mainland Overseas Students and Scholars Studying in the United States: Why Don't They Return? What Is Their Attitude Toward the Chinese Communists? (Preliminary Results)"]

[Text] This survey, conducted by "The Political Science Society of the Overseas Chinese Students and Scholars Studying in the United States," was developed from the statistics of questionnaires actually returned from the over 1,000 distributed to 21 universities—Editors

#### **Object of the Survey**

1. After 4 June 1989, the 40,000 Mainland Chinese overseas students and scholars studying in the United States became a matter of great concern to all sides. Whether these 40,000 people who had received higher education (those pursuing a doctorate make up approximately 70 percent of mainland students studying in the United States) return to China or remain in the United States could have a definite impact on the pace of Chinese modernization, Sino-U.S. relations, and supply and demand in the U.S. specialist market. The opinions of Chinese students and scholars cannot be totally the same on this matter. There were several who could return immediately, several who have decided to return in the midterm (five to six years), several who have decided to return in the long-term (10 to 15 years), and several who have decided never to return. What are the reasons? What factors could cause the Chinese students and scholars to return home early? These types of questions not only have a certain academic value, they could also be significant for all sides in setting suitable policy. This is the first type of question that this study is attempting to understand.

2. Because the Chinese mainland lacks a democratic legal system, it is very difficult for people to accurately and systematically understand the political attitudes of all segments of society. Understanding the political attitudes of various segments is generally based only on impressions. Since 4 June, this understanding has become almost impossible on the mainland. But if we do not come to this understanding, there is no way to fully comprehend the direction of future political changes on the Chinese mainland. Although the political attitudes of Chinese students and scholars studying in the United States cannot be considered representative of the political attitudes of every level of Chinese society, they can to a certain extent be considered representative of the

political attitudes of Chinese intellectuals. Because the political role of intellectuals in China's future could be greatly enhanced, to understand the political attitudes of Chinese intellectuals is to a certain extent to predict the future direction of Chinese politics. If free elections were held in China, for which political party would the people cast their vote? What affect did 4 June have on people's political attitudes? What is people's political philosophy? Which political system do people like? What means do people think should be used to establish a democratic system in China? This is the second type of question that this study is attempting to understand.

3. Relations between the Chinese mainland and Taiwan have experienced a warming trend since 1979. Since 1986 the movement of people between the two sides [of the Taiwan Strait] has greatly expanded, increasing the mutual understanding of the people on the two sides. But the 4 June incident also cast a shadow over the development of relations between the two sides of the Taiwan Strait, leading to a certain amount of anxiety. How do intellectuals from the Chinese mainland view relations between the two sides of the Taiwan Strait? Do they favor unification or do they favor Taiwan independence? If they favor unification, what model do they favor using to unify? This is the third type of question that this study is attempting to understand. (Editor's note: Information on polling methods and overseas student backgrounds has been omitted.)

#### **The Problem of Students and Scholars Studying in the United States Over Whether To Go or To Stay**

According to our statistics, those who intend to return in the medium long-term (10 to 15 years) make up the greatest percentage, 46.2 percent of the total number. Second are those who intend to return in the midterm (5 to 6 years), 31.7 percent of the total number. Those who intend never to return make up 14.5 percent of the total number; and only 2.6 percent intend to return home immediately. Of those who intend to return in the medium long-term, 30.1 percent (taking 360 as the base number) have made this decision because they "lack confidence in the political situation at home for the medium and short term." Twelve percent (of a base figure of 360) intend to improve their professional level in the United States, and only 0.8 percent give "making money in the United States" as their reason. Of those who intend to return home in the midterm, 21.4 percent (of a base figure of 360) gave wanting "to wait for the situation at home to clear up" as their reason; and 7.2 percent (of a base figure of 360) intend to improve their professional level in the United States. Of those who intend never to return home, 7 percent (of a base figure of 360) have come to this decision because "China is undemocratic," and 3.3 percent (of a base figure of 360) because "China is politically unstable." It is interesting that, of those 2.6 percent who intend to return home immediately, no one gave "being eager to return to serve the country" or "to show support for the government" as reasons for returning home. Taken as a whole, whether the situation at home was politically stable and whether

it was democratic and free were the main considerations on which 63.2 percent based their decision whether to return or when to return. For 20 percent of those who do not intend to return home until the midterm or the medium long-term, or who intend never to return home, "improving professional status in the United States" and "individual academic advancement is not easy in China" were major considerations. Eight reasons—"China is too poor," "life in China is not very convenient," "China is a communist country," "making money in the United States," "my studies are finished," "carrying out an agreement with the unit that sent me," "my visa has expired," and "to be reunited with family"—taken together were the principal considerations for only 5.9 percent of the total number (360). Other reasons than those given above were considered by 2.2 percent, but they did not further clarify those reasons. Responding to the question of whether they intended to return home and when, 3.2 percent did not explain their reasons. Another 5 percent did not answer this question.

In order to clarify the reasons students and scholars were staying or leaving, we approached the question from a different angle, "If you decided to return home, which of the following factors would cause you to return early:

1) China became rich; 2) the academic environment improved; 3) living conditions showed a fairly great improvement; 4) the political situation was rather stable; 5) you were free to leave the country again; 6) China became a democracy; 7) China's reform faction took power; 8) the 1989 Tiananmen incident was redressed; 9) the Chinese Communists relinquished power and the Kuomintang took power; or 10) the Chinese Communists relinquished power and the democratic front took power?" We derived the following percentages: 1.4 percent selected No. 1; 13.9 percent selected No. 2; 1.1 percent selected No. 3; 10 percent selected No. 4; 26.2 percent selected No. 5; 35.4 percent selected No. 6; 0.6 percent selected No. 7; 2.5 percent selected No. 8; 0 percent selected No. 9; and 0.6 percent selected No. 10. We can see that "improvement in the academic environment," "a rather stable political situation," "being free to leave the country again," and "China establishing a democratic system" were rather important factors, and "China establishing a democratic system" and "being free to leave the country again" were the most important of these (taken together, they made up 61.6 percent of the total number.) In addition, 70.5 percent of the total number selected two to seven reasons; 16.2 percent of the total number selected one reason; and the greatest number selected one to three reasons.

We can derive the following possible conclusions from the percentages given above:

1. A rather large percentage of students and scholars could be staying permanently in the United States. In addition to the 14.5 percent of the total who have claimed that they will never return home, a considerable number of those who claim that they intend to return in the medium long-term (46.2 percent of the total) are

seeking suitable employment and purchasing their own houses. When their children reach college age and their relations with China gradually become weaker, it is quite possible that they could change their minds and decide to reside permanently in the United States. If the political situation in China has not clearly improved in the midterm, those who have now decided to return home in the midterm (31.7 percent of the total) also could decide to wait until the medium long-term to return home.

2. The stable democratic political system and free academic environment of the United States are the main "pulling" forces making many people hope to live in the United States for a long time.

3. China's lack of political democracy and political stability and a guarantee of freedom to leave the country, a low-quality academic environment lacking in freedom, and the Tiananmen massacre (although we do not have data before 4 June) are major "pushing" forces.

4. The economic factor is not extremely important for the vast majority of students and scholars in their consideration of whether to leave or to stay.

5. The present generation of students, greatly influenced by Western individualism, advocates a Western democratic system. There are a great many patriotic people, but it is probably important to recognize that their patriotism is directed toward the Chinese culture and not China's "socialist" political economic system. When they have the impression that they cannot participate effectively in politics, that the political situation is unstable, and that individual advancement can be affected, they prefer to stay in the United States and be patriotic—enjoying Chinese culture in such ways as going to Chinatown to eat.

6. Students' and scholars' relationship with the Chinese Government is rather antagonistic. For example, not a single one claimed that he was returning home to show support for the government.

7. Only 2.6 percent of the total number are prepared to return home immediately, really alarmingly low. But, if the situation in China takes a turn for the better in the near-term (for example, if there is political reform, the Tiananmen incident is redressed, and there is the guarantee that they can leave the country again), some of the 31.7 percent of the total who now have decided to return in the midterm might decide to return immediately.

8. The most effective policy for getting the talent back, as was touched on above, would be to practice democracy and to guarantee freedom to come and go and academic freedom. But, this is something that the Chinese Communists cannot do in the short-term. As a result, they could lose an entire generation of talent for modernization.

#### Views on Political Issues

As regards the political views of Chinese students and scholars studying in the United States, let us first give the following statement of results and then analyze them. All together we posed nine questions: Question 1A: If China had conducted free elections before 4 June, what political party (including unnamed) would you have voted for:

1) Chinese Communist Party; 2) Chinese Kuomintang; 3) Chinese Alliance for Democracy; 4) Democratic Progressive Party; 5) Chinese Democratic Party; 6) Confucian Party; 7) Social Democratic Party; 8) Christian Party; or 9) Other?

The results were: 17.3 percent did not respond to this question; 27.6 percent selected No. 1; 3.1 percent selected No. 2; 6.1 percent selected No. 3; 0.3 percent selected No. 4; 3.3 percent selected No. 5; 0 percent selected No. 6; 8.4 percent selected No. 7; 3.1 percent selected No. 8; and 30.9 percent selected No. 9.

Question 1B: After the Tiananmen incident, if free and democratic elections were conducted in China, which party would you vote for:

1) Chinese Communist; 2) Chinese Kuomintang; 3) Chinese Alliance for Democracy; 4) Social Democratic Party; 5) Chinese Democratic Party; 6) Democratic Front; 7) Confucian Party; 8) Democratic Progressive Party; 9) Christian Party; or 10) Other?

The results were: 22 percent did not respond to this question; 7.5 percent selected No. 1; 5 percent selected No. 2; 6.7 percent selected No. 3; 10.3 percent selected No. 4; 2.5 percent selected No. 5; 6.4 percent selected No. 6; 0 percent selected No. 7; 0.3 percent selected No. 8; 3.6 percent selected No. 9; and 35.7 percent selected No. 10.

Question 2: If in China you were free to join a political party, which political party would you join:

1) Chinese Communist; 2) Kuomintang; 3) Democratic Alliance; 4) Democratic Party; 5) Democratic Front; 6) Social Democratic Party; 7) Confucian Party; 8) Democratic Progressive Party; 9) Christian Party; or 10) Other?

The results were: 23.1 percent did not respond to this question; 2.2 percent selected No. 1; 2.2 percent selected No. 2; 3.6 percent selected No. 3; 3.3 percent selected No. 4; 5 percent selected No. 5; 6.1 percent selected No. 6; 0 percent selected No. 7; 0.6 percent selected No. 8; 3.1 percent selected No. 9; and 50.7 percent selected No. 10.

Question 3: Your political philosophy is: 1) Communism (that is, Chinese socialism); 2) Democratic socialism (that is, the Northern European type); 3) Liberal democracy (the philosophy of U.S. Republicans); 4) Nationalism; or 5) Other?

The results were: 8.9 percent did not respond to this question; 1.9 percent selected No. 1; 34 percent selected No. 2; 38.7 percent selected No. 3; 3.1 percent selected No. 4; and 30.4 percent selected No. 5.

Question 4: The political system that you like is: 1) The Chinese mainland's; 2) Taiwan's; 3) Soviet; 4) Polish-Hungarian; 5) Northern European; 6) American; 7) Japanese; or 8) Other?

The results were: 3.3 percent did not respond to this question; 0.8 percent selected No. 1; 1.1 percent selected No. 2; 0.6 percent selected No. 3; 0.6 percent selected No. 4; 27 percent selected No. 5; 56.5 percent selected No. 6; 3.6 percent selected No. 7; and 6.4 percent selected No. 8.

Questions 5: How long do you think that the Chinese mainland will need to thoroughly implement democracy (that is, legislative democracy): 1) Zero to five years; 2) Six to 10 years; 3) 11 to 15 years; 4) 16 to 20 years; 5) More than 20 years; or 6) It will never be possible?

The results were: 5 percent did not respond to this question; 2.2 percent selected No. 1; 9.5 percent selected No. 2; 16.2 percent selected No. 3; 13.1 percent selected No. 4; 46.5 percent selected No. 5; and 7.2 percent selected No. 6.

Question 6: What means do you think should be used to achieve democracy on the mainland:

1) Restoration of the reform faction of the Chinese Communist Party; 2) Violent revolution to overthrow the Chinese Communist Party; 3) Organize a strong opposition party and use peaceful means to achieve democracy; 4) The Kuomintang's use of peaceful means to return to the mainland as the ruling party; or 5) Other?

The results were: 5.6 percent did not respond to this question; 24 percent selected No. 1; 7 percent selected No. 2; 51.3 percent selected No. 3; 1.9 percent selected No. 4; and 10 percent selected No. 5.

#### Views on the Two Sides of the Strait Before and After the Tiananmen Incident

In compiling the statistics we placed all of those who felt that the way to achieve democracy was first to restore the reform faction of the Chinese Communist Party and then to organize a strong opposition party into a separate category. As above, we will first give the following statement of the results obtained and then analyze them. On this issue we posed six questions.

Questions 1: As regards mainland-Taiwan relations what model do you lean toward:

1) Unifying the two sides; 2) Taiwan independence; or 3) Maintaining the status quo?

The results were: 46 percent selected No. 1; 5.8 percent selected No. 2; 44.8 percent selected No. 3; and 3.3 percent did not respond to this question.

Question 2: Before the Tiananmen incident, which of the following models did you think had the greatest possibility of being implemented in the next 20 years:

1) Unification; 2) Taiwan independence; or 3) Maintaining the status quo?

The results were: 41.8 percent selected No. 1; 4.5 percent selected No. 2; 50.1 percent selected No. 3; and 3.3 percent did not respond to this question.

Question 3: After the Tiananmen incident, which of the following models do you think has the greatest possibility of being implemented in the next 20 years:

1) Unification; 2) Taiwan independence; or 3) Maintaining the status quo?

The results were: 21.4 percent selected No. 1; 17.3 percent selected No. 2; 57.7 percent selected No. 3; and 3.3 percent did not respond to this question.

Question 4: If the two sides unite, which model would you be inclined toward:

1) One country, two systems (with the Chinese Communists as the central government); 2) One country, two governments (with a Chinese Communist government on the mainland and a Kuomintang government on Taiwan); 3) The Kuomintang unifying China and becoming the central government; 4) Democratic unification (convene a national convention with all parties participating, revise the Constitution, and have the party with the greatest number of seats be the ruling party); 5) A federal system; 6) A confederation; or 7) Other?

The results were: 2.8 percent selected No. 1; 5.3 percent selected No. 2; 0.6 percent selected No. 3; 57.9 percent selected No. 4; 26.2 percent selected No. 5; 1.4 percent selected No. 6; 0.3 percent selected No. 7; and 5.6 percent did not respond to this question.

Question 5: Before the Tiananmen incident, which model did you think had the greatest possibility of being implemented in the next 20 years:

1) One country, two systems; 2) One country, two governments; 3) The Kuomintang unifying China; 4) Democratic unification; 5) A federal system; 6) A confederation; or 7) Other?

The results were: 32.3 percent selected No. 1; 21.4 percent selected No. 2; 0 percent selected No. 3; 17.3 percent selected No. 4; 7.8 percent selected No. 5; 1.7 percent selected No. 6; 6.1 percent selected No. 7; and 13.4 percent did not respond to this question.

Question 6: After the Tiananmen incident, which model do you think has the greatest possibility of being implemented in the next 20 years:

1) One country, two systems; 2) One country, two governments; 3) The Kuomintang unifying China; 4) Democratic unification; 5) A federal system; 6) A confederation; or 7) Other?



The results were: 5.8 percent selected No. 1; 17.3 percent selected No. 2; 1.4 percent selected No. 3; 29 percent selected No. 4; 12.3 percent selected No. 5; 3.6 percent selected No. 6; 14.5 percent selected No. 7; and 16.2 percent did not respond to this question.

#### Preliminary Determinations

From the above percentages it appears that we can make the following determinations:

1. Nearly half the people (46 percent) favor unification of the two sides [of the Strait], but the percentage of those who favor maintaining the status quo (44.8 percent) is higher than anticipated. Although the percentage of those favoring Taiwan independence (5.8 percent) is lower than those supporting this viewpoint in Taiwan (approximately 10 percent), it is not a lot lower.

2. The Tiananmen incident had a rather significant effect on people's views of various possibilities for the evolution of cross-Strait relations, especially the 320-percentage point [as published] decrease in the 41.8 percent who thought before 4 June that the two sides could be united in the next 20 years to 21.4 percent after the Tiananmen incident. The percentages of those who thought that Taiwan would be independent and that the status quo would be maintained in cross-Strait relations both increased significantly, especially those who thought that Taiwan would be independent increased 380 percent from before the Tiananmen incident. After the Tiananmen incident people's views on the development of cross-Strait relations generally became even more pessimistic.

3. The high percentage favoring democratic unification (57.9 percent) and the low percentage endorsing the Chinese Communist one country, two system model (2.8 percent), left a deep impression. The percentage favoring federal unification (26.2 percent) also was very high. Some of these perhaps favor democratic unification.

4. After the Tiananmen incident, people took a rather doubtful attitude toward the possibility of the Chinese Communists' being able to successfully unite China with the one country, two systems model in the next 20 years. This percentage fell from 32.3 percent before the Tiananmen incident to 5.8 percent after the Tiananmen

incident. And the percentage who thought that there was a possibility for democratic unification rose from 17.3 percent before 4 June to 29 percent after 4 June.

5. The 5.3 percent favoring the one country, two government model appeared to be much lower than the percentage favoring this model in Taiwan intellectual circles. If we compare the figures on mainland students and scholars favoring this model with mainland students and scholars favoring democratic unification (57.9 percent), we apparently can come to the conclusion that quite a number of mainland students and scholars hope to rely on Taiwan's influence to change the mainland and bring about democratization of the mainland.

#### Better Living Conditions for Urban Teachers Noted

OW2110084590 Beijing XINHUA in English  
0745 GMT 21 Oct 90

[Text] Beijing, Oct 21 (XINHUA)—Per capita living space for urban primary and middle school teachers and their families had increased to 5.73 square meters last year from the original 3.8 square meters in 1982, the GUANGMING DAILY reported today.

The figures were released by a national meeting on the living conditions of primary and middle school teachers in cities held recently in Beijing.

Since 1982, the central government has made great efforts to improve the living conditions for teachers.

Statistics showed that during the 1983-1989 period, total investment in the housing for urban teachers (except Tibet) reached 3.841 billion yuan, averaging 550 million yuan each year. As a result, 309,200 apartments, with a total floor space of 16.57 million square meters, were built for teachers.

Last year alone, the government invested 691 million yuan (about 147 million U.S. dollars). 40,000 apartments were completed.

Officials from the State Education Commission said at the meeting, that the commission would do more to improve the living conditions of teachers because they were still below the urban average.

**Military Economic Standardization Discussed**

90CM0318A Beijing ZHONGGUO BIAOZHUNHUA  
[CHINA STANDARDIZATION] in Chinese No 7,  
5 Jun 90 pp 30-32

[Article by Zhao Guojun (6392 0948 6511): "On Military Economic Standardization"; passages in italics printed in English]

[Text] Standardization work had a fairly late start in China, and military economic standardization is still a blank page in China at the current stage. Military economic standardization is a branch of standardization. It is an extension and application of standardization in the sphere of military economy. Therefore, we may define military economic standards as scientific and unified standards and bases formulated in a special way through special procedures under the prerequisite of full discussions and considerations by all fields according to the combined results of modern science and technology and practical experiences that are adopted for a large number of various forms of heavily repeated things and concepts in the management of military economy and technological activities in order to achieve the best military and economic results. Military economic standardization refers to the process of formulating and promulgating military economic standards and enforcing and implementing such standards in the practice of military economic work.

**I. The Significance of Military Economic Standardization**

The research and application of military economic standardization is of great significance. First, military economic standardization can substantially increase military economic results so that military economic resources and limited military funds can be used effectively.

Second, military economic standardization is conducive to the coordination and unification of military economic management and the development and popularization of military economic technology. Repetition is prominent in all economic work, but especially in military economic work. The characteristics of the military produce a higher demand for coordination and unification on military economic work. This makes military economic standardization even more necessary and important. Especially now that the modern military has become more complex and is developing toward high science and technology, the demand on the level of modernization of military economic technology and management is becoming increasingly higher. Under the current condition where China's military economic technology work is still not systemized and standardized, how do we achieve the modernization of military economic technology and management? I think that the basic prerequisite for achieving this is to establish a unified and systemized standard system of military economic technology and management to pave the way for the modernized management of military economy. Otherwise, it will be very

difficult to establish a military economic system compatible with modern military development. For instance, the conception and further implementation of the U.S. strategic air defense plan and all-European defense plan and the formation of various complicated three-dimensional defense systems must require the conformity of military economic technology and management. The higher the demand on the level of military economic technology and management, the more urgent the task of developing and applying military economic standardization.

Third, through the modernization of the military economy, military economic standardization can accelerate the modernization process of national defense as a whole. In fact, it is impossible to achieve the modernization of national defense without the reliable guarantee of a modernized military economy. Therefore, establishing a modernized military economic system on the basis of standardization is also an imperative demand of national defense modernization.

In addition, military economic standardization is also conducive to the research and development of military economy. It can help military economy better meet the requirement of high standardization of military economic work determined by the characteristics of military activities.

**II. The Composition of Military Economic Standardization**

Military economy is a new-frontier science derived from the organic combination of military science, which follows the law of the military, and economics, which follows the law of the economy. By the same token, we may also consider that military economic standardization is a product of the combination of military standardization and economic standardization. But when we study military economic standardization, we should not limit ourselves to isolated analyses and studies of the two relatively independent systems of military and economic standardization. When we study military economic standardization, we should pay more attention to the organic relations between the military and the economy. In other words, we should study how military standardization integrates with and conditions economic standardization that serves military purposes. I think that the reason that military economy itself has become a relatively independent science is that it is no longer a study of isolated military and economic subjects. Instead, it is a close study of links between the two and of essential issues that cannot be easily understood or that do not even exist in the isolated research on the two. Therefore, when we study military economy, especially military economic standardization, we should first consider military economy as a whole, relatively independent science and then proceed to analyze and examine the nature of its structure. Based on this thinking, I think that military economy consists of two major parts: military economic

technology and management. Similarly, the composition of military economic standardization can also be considered from two aspects: standardization of management and technology.

#### A. The Standardization of Military Economic Technology

The analysis of over 40,000 *MIL* standards (*military specifications and standards*) of the National Defense Department of the United States, namely U.S. military standards, shows that the overwhelming majority of such standards are technological standards within the sphere of military economy. Of all *MIL* standards, about 26,000 are *military specifications* used to produce a wide range of military articles, from foods and office supplies to missiles; about 1,200 are *military standards (MIL-STD)* applied to the technology and method (including the method of experiment), order, basis, and related professional design and management of standard equipment and devices; about 6,000 are *military standards (MS)* used to explain the design of military articles and the special features of products; and over 100 are *military handbooks* used to explain related information, procedures, and technical data for supply operations. In China, the technological standards of military economy made definite progress in the past few decades, but most such progress was in the field of military industry. Very few standards are really used for the purpose of economic management. Of course, in the past few years, China's military standards made even greater progress, especially in the fields of military electronics, aviation and space, and military nuclear industry.

China has already laid a definite foundation for the technological standards of military economy. This is an aspect conducive to the development of military economic standards. On this basis, we should further expand, study in-depth, develop, and update the sphere of the standardization of military economic technology, and strive to import and utilize advanced international standards for military economic technology to push the technological standards of China's military economy to yet another new level.

#### B. The Standardization of Military Economic Management

Like normal economic work, management accounts for 70 percent of military economic work. In other words, military economic management is a major part of military economic work and is where major contradictions lie. It has a great deal of repetition and consistency because of the special requirements of military operations. For instance, a great deal of repetitive labor exists in military financial management and military supply work. To increase management efficiency, we must simplify what is complicated and, in accordance with special military requirements, formulate scientific standards for military economic management and enforce them in management activities. Some data show that the British National Defense Department reduced 4 million kinds

of supplies to 3 million-plus through standardization, thus substantially facilitating the management of military supplies. Today, the Chinese military also has as many as several million kinds of supplies. Many problems, such as classification and coding, exist in the field of management. To manage well these supplies and increase management efficiency, we cannot but consider the issue of standardization.

At present, there is a trend to develop the application of microcomputers whether in military economic management or in other kinds of management. To use *Cobol*, *Basic*, and *C* computer languages and the *Dbase III* system, we must provide information and data compatible with their formats. Otherwise, we would not be able to use these modernized management methods. Currently many nonstandard problems exist in military economic management. For instance, terminology, coding, bookkeeping, economic targets and indexes, and computation methods have great variations and inconsistency. Undoubtedly, these problems have caused great inconvenience for modernized management. All of these must be gradually developed to become interchangeable and internationalized. Only by doing so can we meet the requirement of modernized management. The standardization of China's military economic management is still a blank page. Except for the field of military technology, where there is definite development, very few standards have been established in the sphere of management. China needs to make great efforts to carry out research and development in this area.

The standardizations of military economic technology and management are both components of military economic standardization. The standardization of military economic technology provides convenience and lays a foundation for the standardization of management. Conversely, the standardization of military economic management can facilitate the standardization of technology. Therefore, we must pay attention to developing both and enable them to promote and interact with each other in order to bring about real development in military economic standardization.

#### III. Characteristics of Military Economic Standardization

Military economic standardization has unique characteristics in addition to the common characteristics of standardization such as coordination, compatibility, proportion, and legality.

A. Military nature. Military economic standardization serves the purpose of military strategy. Therefore, it demands far greater unity and coerciveness. However, the existence of military nature has a side that is unfavorable to the development of military economic standardization. The exclusive system and secrecy of military activities and articles often restrict its development. Therefore, military nature also has a negative side that we must take into consideration.

B. High-tech nature. The application of a large amount of science and technology in the military field, especially the rapid development of science and technology in advanced armed equipment and its management, has made the high-tech nature of military economy stand out even more. This is also why technological standardization develops faster in military economic standardization. Without modernized high-grade, precision, and advanced military equipment, the military economy would be simple. The development of future war is in the direction of three-dimensional warfare where military commands are issued through computer systems. All kinds of military technology are becoming increasingly complicated every day. Of course, due to its broad extension in military field, science and technology affects each and every nerve of military economic technology. So this demands that military economic technology be modernized simultaneously as military activities. The modernization of economic technology must be guaranteed by the modernization of economic management. The modernization of economic technology and management cannot be separated from standardization.

#### IV. The Direction of Development of Military Economic Standardization

Military economic standardization as a whole is fairly new both in China and other countries. But the technological standardization of military economic standardization has had a fairly long history especially in the field of military industry. It has developed to a fairly high level. Therefore, it has laid a fairly solid foundation and formed sizable potential for the development of military economic standardization as a whole. But the development of the technological standards of military economy is not well coordinated with that of management standards; military economic standardization is not fully systemized; and work in all fields is far insufficient. Facing the trend that China's military economy is developing rapidly along with the national economy and national defense modernization, I think that China's military economic standardization must develop in the direction of systemized and all-position advance. It can be summarized as follows:

First direction: Military economic standardization should develop in the direction of a complete system. Establishing a relatively independent scientific system of military economic standardization is a necessary requirement of the characteristics of the military economy itself. With regard to this direction, we must do a good job in the following areas: 1) We should pay adequate attention to military economic standardization, do a good job in propaganda and education, and gradually establish the concept of standardization in the minds of the cadres and masses engaged in military economic work. 2) We should do a good job in the research work of military economic standardization, establish special organizations for this purpose, and carry out wide-ranging specialized research and development. This field of research is very broad. It includes the

following elements: basic theories, application development, setting standards, information and data gathering and compilation, and the establishment of military economic standardization systems. In 1952, in order to reduce the number of nonessential and unnecessary articles in the logistics supply system, the U.S. military improved specifications and standards and it standardized varieties, designs, and methods so as to achieve the purpose of increasing efficiency. To begin the MIL research and formulation of the U.S. military, the U.S. Defense Department established the *Defense Supply Agency* and *Standardization Division*, which have played a great role in the building of the U.S. military. The Japanese Defense Department has two special standardization organizations—the standardization division of the technology research headquarters and the equipment supply division—which carry out research and formulate standards for the logistics department of the Japanese Self-Defense Force. We should admit that it is very difficult to carry out research on military economic standardization in China. There are great difficulties in ideological concepts and in moving from practice to theory. A weak foundation, insufficient theoretical guidance, difficult information-gathering conditions, and indifference toward standardization are the basic conditions of military economic standardization in the Chinese military. So the work in this field is arduous. This all the more requires that we do a good job in this regard. 3) We should pay attention to training specialists in military economic standardization. Only this can give its development stamina. 4) We should pay adequate attention to the efficiency of military economic standardization, do a good job in appraising the efficiency of each and every standard, and use its efficiency feedback to accelerate the development of standardization. Of course, promptly adopting an evaluation principle and computation method similar to those of standard economic efficiency to appraise the efficiency of military economic standardization is a job that we must do well.

Second direction: Military economic standardization should develop in the direction of high science and technology.

Third direction: The military economic standardization of the Chinese military should develop in the direction of integrating the military with the people. In this way, we can guarantee the coordination of the national and military economies. We can also fully utilize the rich achievements of national economic standardization to give a great boost to the development of military economic standardization.

Fourth direction: The military economic standardization of the Chinese military should develop in the direction of internationalization and interchangeability. During World War I, there was a large demand for arms and ammunition, but it was very difficult to maintain and repair arms, ammunition, and other equipment on the front lines because they were produced by different countries and were not interchangeable. So they had to be transported in large quantities to the front line from



remote rear areas. This fact made the people pay attention to international standardization. Now, if we understand a little about today's fast-developing military industry, we would not have any problem understanding

why internationalization and interchangeability are a necessary direction for the development of the military economic standardization of the Chinese military.

## EAST REGION

**Nanjing Counties Stress Subscription to Party Paper***OW2210144990 Nanjing XINHUA RIBAO in Chinese  
14 Oct 90 p 1*

[Text] "Subscription to the party newspaper is closely bound up with the building of two civilizations." This is an important viewpoint separately stressed by Lu Yuwen, secretary of the Taixing County Party Committee, and Xu Zhengqi, secretary of the Jingjiang County Party Committee, at forums held in the two counties today on publication of XINHUA RIBAO.

Lu Yuwen said that publication of the party newspaper is not only the job of the press unit and the posts and telecommunications department but also the common responsibility of party organizations at all levels. XINHUA RIBAO is the official newspaper of the provincial party committee and plays a very important role in promoting the building of the two civilizations in Taixing County. It is precisely because of this that approximately 15,000 copies were subscribed throughout the county every year, ranking Taixing County foremost in the number of subscriptions in the province. He stressed that it is necessary to pay attention to people's subscriptions to the party newspaper every year and that, above all, a long-term viewpoint must be cultivated in order to do a good job in basic work. Basic work includes, first, strengthening the basic building of the two civilizations; second, doing a good job in news reports; and, third, properly handling the job of reading and using newspapers. After the basic work is successfully handled, the number of subscribers will naturally increase.

On the average, more people subscribe to newspapers in Jingjiang County. Comrade Xu Zhengqi said that newspapers are an effective weapon for publicizing the lines, guiding principles, and policies of the party. We must encourage more people to subscribe to XINHUA RIBAO, give full play to the role of the provincial newspaper in propaganda, education, and encouragement among the masses, and promote the building of two civilizations throughout the county. The two counties have taken the initiative to do a solid job in promoting subscriptions to XINHUA RIBAO, striving to achieve a breakthrough in the number of copies of subscriptions to XINHUA RIBAO and ZHIFU BAO [newspaper on how to get rich] next year.

**EC Awards Fujian, Zhejiang Aid for Flood Victims***OW2010025390 Beijing XINHUA in English  
0225 GMT 20 Oct 90*

[Text] Brussels, October 19 (XINHUA)—The European Commission is giving 350,000 ECUs (about 420,000 U.S. dollars) in emergency aid to the China's two flood-stricken provinces of Fujian and Zhejiang.

A communique issued here today said the aid would include blankets, medicines, and daily necessities.

**6 Caught With Forged Exit Permits From Hong Kong***OW2310070790 Hefei Anhui Provincial Service  
in Mandarin 1100 GMT 22 Oct 90*

[By (Wang Guohua) and (He Yinjiang)]

[Text] The Hefei frontier inspection station uncovered a case of six people attempting to leave the country illegally on the afternoon of 17 October. At around 1400, while frontier inspectors were conducting a routine check of flight (?DA-5013), a man and a woman approached the checkout counter. They were both dressed in Hong Kong fashion but seemed ill at ease, constantly gazing around. This immediately aroused the attention of one frontier inspector. Shortly afterwards, the frontier inspector noticed that three men and a woman behind them were also acting surreptitiously. After making a technical examination of their exit permits and consulting with the public security organs in Guangdong Province, it was discovered that the six were from Guangdong and Shenzhen and were trying to leave the country illegally. Their documents were forged.

They were immediately detained. Preliminary investigations showed that they had purchased their exit permits, at high prices, through a lawless person in Hong Kong. Disguising themselves as Hong Kong compatriots, they attempted to slip out of the country through the newly opened port in Hefei.

## SOUTHWEST REGION

**Stone-Age Artifacts Link Tibet to Huang He Culture***OW1910152690 Beijing XINHUA in English  
0913 GMT 19 Oct 90*

[Text] Lhasa, October 19 (XINHUA)—Chinese archaeologists and scientists claim that 4,000 to 5,000 years ago farming techniques in eastern Tibet were the same as those in the Yellow River [Huang He] Valley—"the cradle of Chinese civilization."

Recent excavations of neolithic ruins near the eastern Tibetan village of Karuo yielded stone shovels, hoes, knives, rollers, millet, stone axes, adzes, chisels and hammering blocks. Studies have shown that the items are identical to those unearthed in Yangshao, Henan Province; Majiayao, Gansu Province; and Dawenkou, Shandong Province.

Tuga, director of the cultural bureau of Qamdo Prefecture in the Tibet Autonomous Region, said "the archaeological discoveries show that the major farm tools and production skills in eastern Tibet during the new stone age were not backward."

"The discovery of the Karuo culture indicates that Tibetan history is 4,600 years old."

Radiocarbon tests of the Karuo relics indicate that they date back 3,930 to 4,655 years.

Since the discovery of the Karuo ruins in the early 1980s, archaeologists from local research institutions, and the Institute of Archaeology from the Chinese Academy of Sciences have conducted two large-scale excavations at the site. The digs cover over 3,000 square meters at the Qamdo Cement Factory.

The ruins of 28 houses, 7,968 stone tools, 366 bone tools, 20,000 pottery pieces, 50 ornaments, a large quantity of millet, and animal bones were unearthed.

The discovery of the Karuo ruins has stirred the interest of archaeologists from Sichuan, Yunnan and Qinghai Provinces. Scientists from Beijing, Shanghai, Nanjing, Chengdu and Kunming Cities assisted in dating the relics.

Qamdo County is located along the Lanchang River at an altitude of 3,000 meters above sea level.

#### **Association To Study Tibetan Folk Customs**

OW2310120390 Beijing XINHUA in English  
1129 GMT 23 Oct 90

[Text] Lhasa, Oct 23 (XINHUA)—An association for the study of Tibetan folk customs was recently set up in Lhasa, the capital of southwest China's Tibet Autonomous Region.

In the past decade, a number of people in Tibet have exhibited an interest in the study of local folk customs, and journals such as "Study on Tibet," "Spang Rgran" and "Culture of Snow City" have appeared.

In addition, a book written by Vphrin Las Chos Grags, "Study on Local Conditions and Customs of Tibet" is now required reading for people who study Tibet. The book has been translated into several languages.

The association will make every effort to maintain, develop and make use of the Tibetan cultural heritage, according to a local official.

### **NORTH REGION**

#### **Inner Mongolia Improves Broadcasting Service**

SK1910051390 Hohhot NEIMENGGU RIBAO  
in Chinese 10 Sep 90 p 1

[By Hao Guishen (6787 6311 3947): "The Inner Mongolia People's Broadcasting Station Ranks Among the Country's Advanced Ranks in Transmitting and Broadcasting Technology"]

[Summary] After 40 years' arduous effort, the Inner Mongolia People's Broadcasting Station has now been further modernized and joined the country's advanced

ranks in transmitting technical and broadcasting means. Now, there are 52 transmitting and relay stations in the region, and the total power of medium and short wave lines reaches 1,419 kilowatts, 709 times that of 1950 when the station was just founded. Together with the third-level broadcasting network in various leagues, cities, banners, and counties, the Inner Mongolia Broadcasting Station's programs can be received by 75 percent of the region's people. The newly built microwave line with a total length of 3,500 kilometers transmits the Mongolian and Han language programs to various localities in a clear, stable, and reliable manner. Based on this microwave line, the region will continue to build a branch line. Upon completion of this branch line, the high-quality electric wave of the programs of the Inner Mongolia People's Broadcasting Station will be directly transmitted to 100 banners, counties, and districts. Two 200-kilowatt medium-wave transmitting machines, which are being installation, will be open to broadcasting on 1 May of next year. Then, the results of Mongolian and Han language broadcasting programs will improve greatly.

#### **Hebei Vice Governor's Resignation Accepted**

SK2010025390 Shijiazhuang HEBEI RIBAO  
in Chinese 11 Sep 90 p 1

[Text] At the 16th meeting of the Seventh Hebei Provincial People's Congress Standing Committee, which was held on 8 September, the participating members decided to accept and approve the application of Liu Ronghui to resign from his post as vice governor of the province and decided to report the resignation to the fourth session of the seventh provincial People's Congress for the record.

### **NORTHEAST REGION**

#### **Jilin Promulgates Regulations on Demonstrations**

91P30016A Changchun JILIN RIBAO in Chinese  
28 Aug 90 p 1

["Regulations on the Locations and Areas in Jilin Within Which Assemblies, Marches, or Demonstrations Are Not Permitted (Approved by the Provincial Government on 15 August 1990, Promulgated by the Provincial Office of Public Security on 25 August 1990)"]

[Text] In accordance with the stipulations of Article 23 of the "People's Republic of China Law on Assemblies, Marches, and Demonstrations" and Article 21 of "Jilin Measures on Implementing the 'People's Republic of China Law on Assemblies, Marches, and Demonstrations'" and with provincial government approval, it is stipulated that assemblies, marches, or demonstrations may not be held in the provincial administrative area within the location boundaries listed below:

A. Within 300 meters of the grounds of state guesthouses listed below:

1. Changchun Nanhu Guesthouse
2. Changchun Songyuan Guesthouse
3. Jilin City Xiguan Guesthouse
4. Siping Guesthouse
5. Liaoyuan Guesthouse
6. Tonghua Guesthouse
7. Hunjiang Guesthouse
8. Baicheng Area Number One Guesthouse
9. Yanji Baishan Hotel

B. Within 300 meters of the airports listed below:

1. CAAC Jilin Office's Dafangshen Airport
2. CAAC Jilin Office's Yanbian Airlines Yanji Stop Chaoyangchuan Airport

C. Within 200-300 meters of the perimeter of the train stations listed below:

1. Within 300 meters of the perimeter of train stations at the seat of a city (prefecture [di 0966]) or prefectural [zhou 1558] people's government (administrative office)
2. Within 200 meters of the perimeter of train stations at the seat of all county (municipality) people's government train stations

D. Within 200 meters of the perimeter of the following ports:

1. Daan Port, Fuyu City west dock
2. Ports at the Sino-Soviet and Sino-Korean border

E. Within 300 meters of the perimeter of military installations listed below:

1. Military installations stipulated by the "People's Republic of China Law on Protection of Military Installations"
2. Other military installations stipulated by the State Council and Central Military Commission

F. These regulations are effective from date of issue.

### **Liaoning Work-Study School Reforms Delinquents**

*OW2410093290 Beijing XINHUA in English  
0912 GMT 24 Oct 90*

[Text] Shenyang, October 24 (XINHUA)—Yue Lu, 28, is the enthusiastic and capable director of a carton factory in north China's Liaoning Province. But few

people know that he graduated from a work-study school, a place for juvenile delinquents.

China's work-study schools, now numbered in the hundreds, were set up over the past dozen years to educate juvenile delinquents who have committed crimes or minor offenses.

Students in such schools have to study law and work skills in addition to attending the same classes as in regular middle schools.

They have to live inside the work-study school until their graduation. But they are allowed to spend a couple of days at home every three months and their parents are allowed to visit them at the weekends.

Yue Lu, convicted of theft in 1979, graduated from the Jingzhou work-study school.

A 16-year-old girl at the Jingzhou school said that at first she was terrified. "But now I feel quite at home."

School Principal Li Fengyun said that among the 85 students in her school the boys are mostly thieves and hooligans and the girls were mainly involved in indecent offences.

Li said that since the school was set up ten years ago, 1,252 students have graduated. "Our aim is to turn these youngsters into useful citizens."

The government stipulates that the career of graduates of work-study schools must not be affected by their previous records.

Classes teaching work skills are most attractive to the youngsters.

Wang Lianqi, 19-year-old boy at the school, plans to set up his own barber shop after graduation. He has learned a high standard of hairdressing at the school.

Girls usually learn dressmaking skills.

A Chinese proverb says, "one false step may bring everlasting grief." But, living honestly and making a new life has become a popular slogan among the students at the work-study schools.

### Development Trends of Student Movement

90CM0315A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 246, 1 Jul 90 pp 88-89

[Event analysis by Nan Fang-sho (0589 2455 2592): "New Trends in the Taiwan Student Movement"]

[Text] The Taiwan student movement in March of this year was the first time such an event was covered in a positive way by the news media. The student movement was also the event in which students broke away from being affiliated with political opposition factions. After the National Affairs Conference, the opposition will face difficulties due to a shortage of new political issues. The task of exploring new issues will naturally fall on the shoulders of professors and students.

In March of this year, Taiwan students gathered in front of the Chiang Kai-shek Memorial in Taipei, demanding constitutional reform. Actually this incident could not be considered a student movement, but merely a rather traditional student petition. This is because the demand for political reform had at that time already become commonly recognized by all the people in Taiwan. The students merely used their unique and favored position to summarily express this demand. Moreover, the incident ended right after Lee Teng-hui received the student representatives.

When the incident was over, many students complained that it really surprised them to see the activity end that way. Of course, the students did not understand that this feeling of strangeness was just a reflection of their subjective thinking on democratic practices. Also, the incident in March was covered in a positive way by the Taiwan news media. In the past in Taiwan, student incidents were compared with fierce floods and savage beasts, and even the government was afraid that they could not be stopped or banned. But after this incident, the student movement began to have legitimacy. At this point, Taiwan students more or less benefited from the "1989 Democracy Movement" in Beijing, because the Kuomintang highly praised it. Since the student movement on the mainland could be praised, the Kuomintang then had no reason to negate Taiwan's own student movement. What is more important is that after this incident the opposition cause of students and intellectuals started breaking away from political opposition factions and heading in a more independent direction.

### No Longer Affiliates of Political Opposition Factions

The development of democracy in Taiwan has always depended on professional opposition factions. Students and intellectuals were only just recruited into opposition factions. In other words, university campuses in Taiwan had basically been "nonpoliticized" zones for several decades. But this situation has changed gradually over the past two years. Because political opposition parties have emerged in Taiwan, the opposition has started doing their mobilization work on campuses more actively. As for campuses themselves, they have also

tried to look for their own independent ground as the cultural dominance by the Kuomintang has loosened. Therefore, the degree of politicization on Taiwan campuses has suddenly risen significantly. Yet in general, campus politicization during the past two years has basically only been an auxiliary part of the political opposition factions. Students and intellectuals could not step out of the shadow of those opposition factions or present more political propositions than the opposition factions.

Yet what is worth noting is that many structural changes have actually taken place on Taiwan campuses over the past few years. The generation that went to study in western countries before the 1980's has come back to Taiwan to teach in universities. As Taiwan's society has become more prosperous and relaxed, new Western ideas can develop in step with Taiwan. This has had a tremendous impact on university campuses. If people pay some attention to modern western thinking, perhaps they will find that it helps them see issues more clearly than before. The democracy issue is not one of merely lifting the ban on political parties, but also accumulating various systems and cultures. Social issues also involve history, culture, and even signs and other elements. The results of these minute changes on campuses were finally seen in this year's "20 May" and "29 May" movements, which were made up mainly of students and intellectuals.

### New Problems to Be Explored

Since Li Teng-hui was elected president, an extensive and complex phenomenon of "emotional ties to Li Teng-hui" has swept across political figures in current Taiwan politics. Because Li Teng-hui is the first native Taiwanese to become president, a majority of politicians treat Li Teng-hui with warm, hazy "feelings of being native Taiwanese" and adopt an "understanding" attitude toward his various deeds. Even quite a few overseas dissidents also have the same "understanding" attitude toward Li. This phenomenon of "emotional ties to Li Teng-hui" has distorted many political judgments. So when Li Teng-hui nominated General Hau Pei-tsun to be prime minister of the Executive Yuan, Kuomintang legislators certainly were not against it, and even main political figures from the Democratic Progressive Party kept silent because of such "emotional ties to Li Teng-hui."

Nevertheless, students and professors, especially younger professors, are not so influenced by the phenomenon of "emotional ties to Li Teng-hui," and they are able to examine problems more minutely. As far as the opposition factions are concerned, they seem to believe that all of Taiwan's political problems will be solved once the old legislators retire, the "Temporary Provisions" are abandoned, and a native Taiwanese becomes president. But because young professors and students saw things more deeply and were aware of the more complicated aspects, they did not quite agree with having a military man form the cabinet, or with the fact



that Li Teng-hui went so far as to appoint a military man to form the cabinet. Thus the movement against a military man forming the cabinet, originally initiated by professors and students, started. It was the first time that professors and students were out in front of the politicians. As a result of the students' and intellectuals' movement, other social movement groups joined in, and the movement created quite an assemblage each time. While demonstrating, some students also spray-painted everywhere and called themselves "little bees." Because the movement was quite a spectacle, later politicians from opposition factions had to approach them.

The "20 May" and "29 May" gatherings in Taiwan are really worth studying and exploring. On the positive side, professors and students were the major forces pushing forward the movement. For the first time, they were no longer affiliated with any political opposition factions. For many years, opposition factions in Taiwan have struggled to abolish the ban on new political parties, to completely reform the National Assembly, and so on. Now these issues have all been successively resolved. These will no longer be issues, particularly after the National Affairs Conference. This also means that, after the conference, Taiwan's political opposition factions will surely face new difficulties due to a shortage of issues. The task of exploring new issues will fall on the shoulders of professors and students. In the future, university campuses may become places where new issues emerge or where various new possibilities for Taiwan are explored.

In addition, Taiwan society has become more relaxed because it has had a looser structure in recent years. This will be beneficial to expanding the wealth of those who have money and power. Moreover, in recent years all the contradictions in the Taiwan society have concentrated and exploded around the issue of "politics." The political momentum has dried up any other momentum. One can predict that the political momentum will ebb after the National Affairs Conference. The new problems of liberating society and liberating daily living will move gradually from being second- or third-string problems to front-line problems. There is no doubt that the role of students and intellectuals will therefore become more important.

#### Activists' Heaven

However, the "20 May" and "29 May" movements also had their negative sides, that is, they concealed violent elements. Current Taiwan society is becoming more regularized each day. The so-called social regularization means that the upward mobility of people from the lower classes has slowed. A despairing class or a class which considers itself a despairing class will emerge. Some people will fantasize that they are some kind of revolutionary, and some will become "hostile angels." Whenever there are any slightly large incidents, such people will come up and "plant flowers"—interpose. This trend can be seen in the violence of the "20 May" and "29 May" movements.

Taiwan has a unique type of society that can rarely be found in other parts of the world. It is an "immigrant society" which consists of many echelons of people with highly different natures. The population density of Taiwan is very high and the development in different echelons is quite uneven. Take the social pattern, for example. Some parts are extremely traditional and some parts are almost the same as Europe and the United States. With such different natures, an inconceivable number of problems will accumulate. Such a society is actually an activists' heaven. Any type of movement can find a place grow. Succeed or not, it all depends on the activists' own abilities and intelligence. Modern researchers who study social change come to accept the new truth more and more: there is no specific or unchanged logic in social patterns. Capable and intelligent activists can often find the pivotal point for social change and thus promote change, while the mediocre can only make trouble.

#### National Affairs Conference Viewed

90CM0316A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 174, 15 Jul 90 p 9

[Article by Szu Ma Wen-wu (0674 7456 2429 2976): "Taiwan Created A Second Sun"]

[Text] A Hong Kong journalist put the question this way: "The National Affairs Conference seems unimportant, and yet at the same time it seems very important; it seems that nothing has changed, and yet it also seems that many things have changed. There are lengthy articles and reports in Taiwan newspapers, yet the more you read the more confused you become. What is this all about?"

It is certainly confusing to many people, and few believe the man-in-the-street in Taiwan is able to grasp the clear meaning of the National Affairs Conference. Very few people have patiently studied all the news.

In actuality, a national affairs conference is basically unnecessary in a democracy, and basically impossible in a dictatorship. Taiwan is between democracy and dictatorship; this type of political oddity exists because it has its original separation of powers and yet an irrational structure still exists. The most interesting aspect of this situation is the role of academic circles and the way the opposition party expresses itself. When the student union protested that it did not receive respect, it became a news event in Taiwan. Yet having academic circles participate to such a large extent in discussions of national affairs is a phenomenon seldom seen anywhere in the world. In democracies, scholars stay in their professional fields; in dictatorships, they are often reduced to the role of hacks. In Taiwan, however, they have become political commentators or columnists. They work to enlighten the public and have already proven quite useful. However, many still cherish the belief that a good scholar may become an official, and they often travel with influential officials. Of course

there has been quite a great distinction between politics and academia; scholars provide theories, ideas, and commentary, but the final decision inevitably rests on the shoulders of politicians. There is no way for academics to take on the role of politicians, nor should there be. When politicians enter a room for a conference and put the academics off to the side, it might be considered a slight to the scholars. Yet the scholars would not enhance their honor if they were to go in and hold discussions with the politicians behind closed doors. Instead it could do greater harm to their professional honor. Frankly, over the past decade or so very few academics have truly had the conscience and moral integrity to dare to stand and criticize the system of martial law. Many of the academics who are now coming forward to protest that their personal honor has been injured have stayed in touch with the feelings and speeches of the martial law system. Many of them are hacks with no academic standing. Looking at the past in general, it seems that they had no honor before, but now require it. It is a progress of a sort when they discover that their honor has been injured; this indicates that there may be hope for them.

The strangest sight during the National Affairs Conference was seeing many political offenders and overseas figures, who had long been vilified and called traitors by Kuomintang [KMT] publications, on intimate terms with KMT officials, discussing national affairs. This type of national affairs is also seldom seen outside China.

Think back to three years ago when Hsu Hsin-liang [6079 0207 5328] tried without success to enter the country illegally; a helicopter above T'ao Yuan airport dropped leaflets on the tens of thousands of people gathered to welcome him, as if asking them to give up and go home. At that time KMT officials publicly spread rumors that Hsu Hsin-liang had secretly fled to the mainland to be an official. Yet now we find that Hsu Hsin-liang is more anti-communist than some KMT officials. On the other hand, those who suspected Hsu Hsin-liang had connections with the Communists seem to be very pro-communist. Also remember when, three or four years ago, Huang Hsin-chieh [7806 0207 0094], Chang Chun-hung [1728 0193 1347], Yao Chia-wen [1202 0857 2429], and others were in the Hsin-tien military prison. They quarreled daily with prison personnel. They were like caged tigers, pacing back and forth and roaring unceasingly. No wonder they sighed with emotion in their midnight dreams.

During the consultations between the two parties, the KMT discovered that they have a common ground of understanding with the Democratic Progressive Party [DPP], much more so than they had imagined. All it

takes to establish this common understanding is to love Taiwan, identify with Taiwan, and be concerned about the security and well-being of its 20 million people. Once this is established, all other issues, such as whether to embrace the mainland, the world, or even outer space, will not be a problem. During the National Affairs Conference, the KMT and the DPP discovered that their political concepts are very similar. This realization is certainly very helpful with regard to the future formation of political party politics in Taiwan.

In his time, Chiang Kai-shek held that heaven did not have two suns and earth did not have two kings; Mao Zedong swore that he was bent on creating a second sun. Now Taiwan already has two suns. This is a great breakthrough in the political and cultural areas. If an opposition party can participate in discussions on national affairs, and political truth is no party's private possession, then every situation can be met with openness.

In the course of humanity's liberation movements, attaining liberation of spirit has been the most difficult. Yet if the spirit is liberated, other things, like policies and systems, will follow and change naturally and easily. Taiwan's attitude towards the opposition party has changed greatly, and this liberation of an open spirit from tradition is Taiwan's hope for the future.

There have not been very many breakthroughs at the National Affairs Conference as far as specific conclusions, especially about the two major issues of the popular election of the president and constitutional reform. People today are certainly disappointed. But for those who from the start did not dare hold too much hope, these types of results have already surpassed their expectations. It is hard to imagine such a conference being held before Chiang Ching-kuo was born. The implication of the National Affairs Conference is that from now on our national affairs will not be the affairs of one person or party, but will require joint participation by all circles.

However, we would rather quickly establish a normal democratic system, with politics and policy decided through normal channels. We do not want to produce another National Affairs Conference with this type of political abnormality.

#### **'February 28th' Incident Viewed From 3 Angles**

*90CM0414B Taipei TZULI WANPAO in Chinese 14 Aug 90 p 5*

[Article by Chen Hui-lien (7115 5057 5571): "The February 28th Incident as seen by the Government, the Public, and the Chinese Communists, in Tabular Form"]

[Text]

Official Version		
Source of Information	Main Points	Notes
Secret documents of the Defense Ministry's History Office	<p>Remote causes of the incident:</p> <ul style="list-style-type: none"> <li>Hidden intrigues.</li> <li>Agitation by those in the pay of the gentry and dissolute returnees.</li> <li>Evil legacy of Japanese education for enslavement.</li> <li>Postwar economic problems.</li> <li>Failure of propaganda and educational work.</li> </ul> <p>Immediate causes of the incident:</p> <ul style="list-style-type: none"> <li>Economic unrest in the various localities.</li> <li>Hidden resentment of the privileged classes.</li> <li>Disruptive activities of lawbreakers acting in collusion.</li> <li>Changes within the military.</li> </ul>	Secret data from the Defense Ministry internal investigation
"Report on the February 28th Incident and How It Was Handled" by Yang Liang-kung [2799 0081 0501] and Ho Han-wen [0149 3352 2429]	<p>Causes of the incident:</p> <ul style="list-style-type: none"> <li>Mistaken ideas of the Taiwanese about the motherland.</li> <li>Evil legacy of the Japanese.</li> <li>Price increases and the rise in unemployment.</li> <li>Mishandling by the government of its control over political policies.</li> <li>Reaction to the corruption, dereliction, and lack of ability of some government employees.</li> <li>Bad influence of the six public opinions.</li> <li>Encouragement of politically ambitious persons.</li> <li>Opportunistic agitation by the Communists.</li> <li>Weakness in the armed strength of public security defense.</li> <li>Control of radio stations by the mob.</li> </ul>	Investigative report published by the Control Yuan, 9 March 1988
"Special Report on the February 28th Incident" to the Legislative Yuan by Interior Minister Hsu Shui-te [6079 3055 1795]	<p>Causes of the incident:</p> <ul style="list-style-type: none"> <li>Mistakes brought about by people's idealistic impressions of the motherland during the initial period of Taiwan's recovery.</li> <li>Influences produced by 50 years of Japanese control of Taiwan.</li> <li>Economic chaos and feelings of insecurity during the initial period of Taiwan's recovery.</li> <li>Influence of postwar poverty and scarcity of goods.</li> <li>Inability of some government employees to improve their work.</li> <li>Illegal underground activities and riots created after recovery by Communist Party elements such as Hsieh Hsieh-hung.</li> <li>Changes in the military and a weak armed force to maintain public order.</li> <li>Influence of rioters occupying radio stations.</li> </ul>	Special report made to the Legislative Yuan on 21 April 1989 by the ministers of interior, defense, and legal affairs
Chinese Communist Version		
Source of Information	Main Points	Notes
Chinese Communist broadcast by Yanan Radio to Taiwan	<p>The February 28th incident resulted from peaceful activities by the Taiwanese people for self-government. The Taiwanese people rose up in their own defense because of the armed slaughter and suppression by the Chiang Kai-shek government, and this developed into an armed struggle.</p> <p>The economic plunder carried out by the Chiang, Soong, Kung, and Ch'en families caused the Taiwanese people to rise up in revolt.</p> <p>Support for the Taiwanese self-government movement.</p> <p>Supplying the six-point "struggle experience" for opposing compromise.</p>	8 March 1947 Chinese Communist broadcast from Yanan to Taiwan
Chinese Communist instructions broadcast by Yanan Radio to the "Taiwan provincial work committees"	<p>The armed struggle has begun. Leftist cadres must go into the countryside and into the cities to provide leadership.</p> <p>Oppose compromise and resolutely take the stand of armed struggle. The "Chiang Military" can at the most send only two armies to Taiwan.</p>	Yanan radio broadcast of 23 March 1947
"Lessons of the February 28th Incident" by the Chinese Communist East China Bureau	<p>The February 28th Incident was a movement by the Taiwanese people to oppose Kuomintang control. It was not a movement for Taiwanese independence.</p> <p>It was discovered that a large contingent of activists had broadened the strength of the Communist Party.</p> <p>By not openly providing clear direction, the Communist Party failed in the incident.</p>	Report made by the "East China Bureau" at a May 1948 meeting in Hong Kong

Chinese Communist Version (Continued)

Source of Information	Main Points	Notes
Talk by Liao Ch'eng-chih [1675 2110 1807]	The February 28th Uprising was a component of the democratic revolution under the leadership of the Chinese Communist Party.	Talk by Liao Ch'eng-chih at a 28 February 1975 symposium to "commemorate the 28th anniversary of the February 28th Uprising by the people of Taiwan Province"

Public Version

Source of Information	Main Points	Notes
"Report on the February 28th Incident" by six Taiwanese organizations in Shanghai	<p>The slaughter totaled more than 10,000 persons. If the injured are included, the total was more than 30,000.</p> <p>The cruelty of the slaughter was unmatched. Those who must take full responsibility for the criminal slaughter are Chen I, senior administrative official and garrison commander; Ko Yuan-fen [2688 6678 5358], Garrison Command chief of staff; Shih Hung-hsi [0670 1347 3588], commander of the Keelung fort; and Peng Meng-chi [1756 1322 4874], commander of the Kaohsiung fort. Most of those murdered were young people and students, after that it was the general populace, and after that the mainstays of society. The real hoodlums and armed squads of secret police were used to massacre the masses.</p> <p>The actual facts of the slaughter were investigated in detail by the Control Yuan, the Defense Ministry, the office of the supreme procurator, the National Association for Political Participation, the Association for the Implementation and Promotion of Constitutional Government, the domestic media, and the joint investigation team of Taiwanese organizations abroad.</p> <p>Chen I, Ko Yuan-fen, Shih Hung-hsi, Peng Meng-chi, and others who were in charge of the slaughter should be brought to trial and subjected to capital punishment in accordance with the law. In addition, corrupt government officials such as the "four fiends"—Chou I-o [0719 0001 7725], Pao Ko-yung [0545 0668 3057], Peng Meng-chi, and Ko Ching-en [5514 2417 1869]—should be investigated and dealt with.</p> <p>The government should make an open-minded examination of losses with respect to Taiwan provincial administrative facilities and personnel. It should make a frank admission and implement reforms.</p>	<p>Reports and recommendations presented to the Nationalist Government on 21 April 1947 by Taiwan organizations in Shanghai, including the "Taiwan Innovation Association," the "Shanghai branch of the Taiwan Reconstruction Association," the "Shanghai branch of the Fujian-Taiwan Building Association," the "Taiwan Friendship Association in Shanghai," the "Taiwan Provincial Building Association," and the "Taiwanese Tokyo Alumni Association"</p>
The "February 28th Peace Movement" declaration of public figures who were not holding power	<p>The February 28th Incident was the most tragic event in modern Taiwanese history. The killing and cruel sacrifice of thousands of the very best and the most innocent members of Taiwanese society for a long time put Taiwanese residents in dread of the government and produced their opposition and misgivings.</p> <p>We urge that the taboos be lifted, that the true situation be made public, that the injustices be rectified, and that the wounds be healed in order to bring the incident out of the shadows of history. The government should publicly apologize, pay compensation, and erect a February 28th monument.</p> <p>A fair and just peace should be formulated for "February 28th."</p> <p>The government should learn its lesson and strive for lasting peace so that such an unfortunate incident will never again occur.</p>	<p>Declaration issued by the "Association to Promote a February 28th Peace" and other public organizations, 3 January 1989</p>

DPP's Frank Hsieh Discusses Taiwan Independence

90CM0009A Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] in Chinese No 216, 16 Sep 90  
pp 84-91

[Interview with Frank Hsieh by Hideo Tobari in Oiso, Japan, on 12 July: "New Trends in 'Taiwan Independence'—Interview With Frank Hsieh in Japan"]

[Text] During the election of legislators in Taiwan at the end of 1989, incumbent Taiwan Democratic Progressive Party [DPP] legislator Frank Hsieh [Hsieh Chang-yen (6200 7022 1694)] called for a "new nation, a new

constitution, and a new National Assembly," as well as a "community of common destiny."

What is meant by a "new nation"? And what sort of theory is the so-called "community of common destiny"? In view of the increasingly frequent and close interaction between both sides of the Taiwan Strait today, is the Taiwan independence theory that Frank Hsieh has constantly advocated in need of revision? Recently the writer interviewed Frank Hsieh for nearly an hour in Oiso, a Japanese coastal city to which he had been invited to take part in the "Asian Outlook" seminar.

**In the Course of the Frequent Interaction Between Both Sides of the Strait, What Changes Have Taken Place in Your Views on Taiwan Independence?**

**Tobari:** *changes have taken place in the situation on both sides of the strait today. In view of these new developments, is there any change now in the views you have held all along about Taiwan independence?*

**Hsieh:** I think you may have forgotten that I actually rarely use the term Taiwan independence, but that others frequently say that I stand for Taiwan independence. However, I rarely use these two words, because the meaning of these two words is extremely ambiguous. When I debated with Chao Shao-kang [6392 1421 1660], I made several points: One was self-determination—the issue of Taiwan's future self-determination. Another was that I opposed unification with China now—Taiwan's merging with the mainland. This point was very clear. I feel that the exchanges between Taiwan and the mainland now are something that we approved in the past, and something that we never opposed in the past. In the DPP party platform, we demanded that the wording say that we hoped that mainlanders would be able to visit their relatives, go sightseeing, and visit for humanitarian reasons. All these things are in our party platform. We do not oppose cultural, economic, and educational exchanges, but we do oppose unification as a prerequisite for any contacts. We oppose unification as a prerequisite. Our basic stand is that we believe the national goal should be the people's well-being. We hope that the people will be able to be happy. Unification or independence are not really goals; they are means. They are means of making the people happy. But we do not see how our unification with the mainland now can bring us happiness, or make the mainland people happy. I don't think either side would be. One rather important matter today is that both sides should become democratic. Both sides should try to improve the people's livelihood, particularly on the mainland. They shouldn't always be talking about unification. Unification is of no benefit to us, and it is of no benefit to them either. They cannot give us any happiness. Political freedom and economic freedom for the mainland people and the very many minority nationality problems such as in Tibet and [Inner] Mongolia cannot be solved. Unification won't bring us happiness, and it won't bring them happiness either. So, as far as this point is concerned, I do not agree.

**Tobari:** *I feel that neither side of the strait, whether the mainland or Taiwan, is ready for unification yet.*

**Hsieh:** I believe you are right about that. Furthermore, I believe that the political methods of such a big country as Mainland China cannot mean happiness for any of the minority nationalities, because power is centralized! Look at any country in the world that is so big, like Canada, the United States, Germany, and the USSR; they all have federal systems. For such a large country, I feel that the centralized power system is bad. Decentralization of authority would be best, and the mainland

should even allow self-determination for Tibet and self-determination for [Inner] Mongolia. Then, later on, they themselves could set up a federation. This could allow the people more democracy; it would be a democratic system.

**Will There Be Major Changes in Taiwan's Policy Toward the Mainland?**

**Tobari:** *I understand what you are saying, but we recently discovered that relations between both sides of the strait are becoming closer and closer. Investment, trade, and contacts between the people are all things that were unimaginable just two or three years ago. In addition, Mr. Li Teng-hui's attitude toward the mainland seems to have changed on several points recently. Has there been any major change in Taiwan's policy toward the mainland? Or if there have been changes, are they just superficial?*

**Hsieh:** I think that the greatest change for Taiwan with regard to the mainland is, as I understand it, that there should be an end to the period of rebellion suppression. What do I mean by an end to the Taiwan rebellion suppression period? I mean not treating the mainland like a rebellious group.

**Tobari:** *How should the mainland be treated?*

**Need for an End to the "Rebellion Suppression Period"**

**Hsieh:** This is the Kuomintang's contradiction. I think the solution is very simple, and that is to admit that the mainland is independent. Admit that the mainland rebellion succeeded. According to the past statements and logic of the Kuomintang on Taiwan, the Republic of China should be the dominant entity, and the mainland is a part of the Republic of China. However, since the mainland rebelled, Taiwan has to suppress the rebellion. But Taiwan is not suppressing the rebellion now, so shouldn't it recognize that the rebellion has succeeded? Recognize that the revolution on the mainland has succeeded!

**Tobari:** *Ha ha... I have never heard such a way of putting it before. Does anyone say this besides yourself?*

**Hsieh:** There will be a lot of people who will say this later on. I feel this is to say that the mainland has changed the name of the state, changed the national anthem, and changed the national flag, so it is independent. It is now recognized as being independent, so isn't the authorities' end to rebellion suppression a recognition that they have a government too? A legal government; it is a nation!

**Li Teng-hui in Fact Not Yet Ready To Discuss Unification**

**Tobari:** *But Mr. Li Teng-hui cannot admit that!*

**Hsieh:** He said that if the mainland becomes democratic, he would also want to hold a government-to-government dialogue. So that shows he recognizes it is a government, doesn't it?



**Tobari:** *But his premise is that the mainland will be unable to become democratic for the time being, so psychologically he is not at all ready.*

**Hsieh:** I feel that Li Teng-hui is not yet ready for real unification. So I feel that both sides are actually sparring.

**Tobari:** *In the eyes of most people on Taiwan, once the rebellion suppression period is over, what will the mainland become? For the Taiwan Government in particular, will the mainland still be a rebellious group?*

**The Kuomintang's Strange Behavior: Does It Know What It Is Not, But Not Know What It Is?**

**Hsieh:** I think they would look at it two ways. One would be as a government; one country with two governments. It would not be a country, but a government. In other words, they would have a theory in which it would not be their own country, but it would not be a foreign country either. The Kuomintang has a very strange way of behaving. It says it knows what it is not, because it is not a rebellious group. It does not know what it is. It knows what it is not, but it does not know what it is.

**Tobari:** *I did not catch your meaning. Please say that again.*

**Hsieh:** In the current National Assembly, the Kuomintang told us that, once the provisional regulations of the rebellion suppression period are abolished, they will know what the mainland is not, meaning that that will know that the mainland is not a rebellious group. But just what the mainland is, they will not know.

**Tobari:** *This is a problem that has to be redefined!*

**Hsieh:** Right! This is the Kuomintang's biggest problem and biggest difficulty. This means that possibly the mainland was formerly a rebellious group, a belligerent group, a people's group, a government, a country. But now that rebellion suppression is over, it is not a rebellious group. But what is it? The Kuomintang does not know.

**Tobari:** *Actually, I raised this question with Mr. Li Teng-hui a long time ago. At his first press conference on 22 February 1988, I raised this question with him directly. Now, it seems that the situation has begun to change slowly on both sides of the strait. Although the provisional regulations are still in force today, there are exchanges; therefore, relations between Beijing and Taiwan should be redefined. At that time, Mr. Li Teng-hui did not reply directly to my question. But what you just said has a bearing on it.*

**Hsieh:** This is the biggest problem. Unless this problem is solved, nothing in the law can be clarified. When people from Taiwan go to the mainland, are they returning to their country or leaving their country? If people who go to the mainland from Taiwan are leaving the country, then they are going to a foreign country. If they are returning to their country, then they are going to and returning from the interior of the country. Ha ha...

But there is a legal contradiction. Sometimes the mainland is looked at as a foreign country, and people are deemed to be leaving the country; sometimes they are arrested for smuggling, but smuggling is something you do when you leave the country. There can only be smuggling between one country and another.

**Tobari:** *Therefore, the situation in Taiwan is changing too rapidly. The reality has already occurred, but the law has not had time to catch up. Furthermore, probably some people at the leadership level as well as the ordinary people in general have not caught up either. Their thinking is still somewhat lagging, and they are still unable to accept this reality. What will you do to solve this problem? An example is how to regard the mainland. Will it be considered a semi-hostile group?*

**Can the Laws of Both Taiwan and the Mainland Be Used for a Solution?**

**Hsieh:** We advocate the use of international jurisprudence, solving issues on the principles of international laws. But, as I see it, the laws of both countries have to be used; otherwise, the problems cannot be solved. For example, people on Taiwan who pay their taxes on Taiwan will have to pay taxes on the mainland. OK! So when they go to the mainland and pay their taxes there, will they have to pay taxes after returning to Taiwan? This is a very big problem! Also, if they have a home on the mainland, is it to be considered a home within China? It makes a very great difference for Taiwan taxes whether you do or do not have a home in the country! And are mainland court judgments to be recognized? Are they to be treated as foreign court judgments or as the judgments of our own country?

**Tobari:** *How can this be handled? I imagine such matters probably come up every day?*

**Hsieh:** Right! So as far as mainland court judgments are concerned, say mainland marriages, are Taiwan marriages invalid? And what about the Taiwan marriages of past "defectors"? Are they valid? Right now, I believe they handle them as foreign.

**Tobari:** *What you are saying is that problems between both sides of the strait should be dealt with on the basis of the two countries' laws.*

**Hsieh:** Yes! This is the legal principle.

**Tobari:** *If so, isn't this really taking the road of two countries, two governments?*

**Hsieh:** Yes! I believe this is beneficial for both countries.

**Tobari:** *As I see it, the biggest problem is what should be done to explain the above problems. For example, if one really says there are two countries, probably neither side of the strait will accept that. Naturally, the real situation cannot be denied, but a way must be found to explain it.*

**Hsieh:** The real solution can be like this. Do not say two countries, but rather two governments, that is, two

mutually recognized equal governments. This is the way to do it! But do not consider them to be two countries; otherwise, there will be headaches and fights. However, I think that for both governments to respect each other's rule is a very important point. Both sides have to respect this point. But if the mainland does not respect Taiwan and wants to treat Taiwan as a local government, I think Taiwan will not accept that! And it won't do for Taiwan to regard the mainland as a local government either.

**Tobari:** *So according to you, both sides of the Taiwan Strait should take the one country, two governments road?*

**Hsieh:** I believe that the recognition of two governments amounts to one country with two governments, or two countries and two governments, but this should not be said. It may be left ambiguous. Then everyone can accept it. Taiwan, including the DPP, would not oppose two governments; it is just that for several countries that will be a theoretical consideration.

**Tobari:** *On the single country, two government issue, is there a consensus among the Kuomintang, the DPP, and the common people?*

**The Kuomintang Cannot Now Openly Say "One Country, Two Governments"; Secretly There Is a Fuzzy Area**

**Hsieh:** I believe that the DPP's theory is to stand for two countries and two governments, but most of the Kuomintang stands for one country and two governments. But, one country, two governments contains theoretical contradictions now; therefore, they do not dare talk too much about it. But, in fact, I think that this is their formula for dealing with the problem. But, if so, a consensus can be found, namely, that at least there is no problem with two governments. "Whether it is really a case of one country and two governments or two countries, it would be better not to say. This is because that has no significance, and anyway everyone acknowledges two governments."

**Tobari:** *So at least there is a consensus on two governments? Did you talk about this matter in the National Affairs Conference?*

**Hsieh:** Yes! We talked about this matter.

**Tobari:** *Is there a consensus on this point among the various factions at these meetings?*

**Hsieh:** In the Kuomintang, **Hau Pei-tsun** has talked about it, and he is actually for two governments. And **Li Teng-hui** has talked about it with **Chiang Yen-shih** [5592 1750 1102]. They said that there could be no party-to-party talks; that there would have to be government-to-government talks! But they do not dare talk openly about one country and two governments. The Kuomintang's intention is that there should be ambiguity, that there should be a fuzzy area.

**Tobari:** This is a very smart maneuver, and anyway the situation on both sides of the strait has always been fairly

ambiguous. But I learned recently that there seems to be some lack of unanimity on this issue among the top levels of the Kuomintang.

**Hsieh:** There is some possible disagreement.

**Tobari:** *Why does such a problem arise now?*

**Hsieh:** Because there is a power struggle going on inside the Kuomintang. After the struggle, suppose someone criticizes **Li Teng-hui**, saying that such talk means he is for an "independent Taiwan," because with two governments, you are independent, and Taiwan independence can be looked upon as an "independent Taiwan."

**What Is the Difference Between an "Independent Taiwan" and "Taiwan Independence?"**

**Tobari:** *What is the difference between an "independent Taiwan" and "Taiwan independence?"*

**Hsieh:** Both the Chinese Communists and those engaged in the internal struggle within the Kuomintang say that the difference between an "independent Taiwan" and "Taiwan independence" is that, according to their definition, "Taiwan independence" is what the DPP suggests. This is that the indigenous Taiwan will rise up and become internally independent after democratization. But "independent Taiwan" means the Kuomintang's independence, which is two Chinas, or "national independence" under the Kuomintang. So they say there are many kinds of Taiwan independence—A, B, and C.

**Those Who Advocate "Taiwan Independence" Are Those Who Regard Actual Population and Land as the Basis for a New Country**

**Tobari:** *There was a time when quite a few people in Taiwan wanted independence for Taiwan. Does this situation continue to exist?*

**Hsieh:** Yes, it still does. Very many people still express this view.

**Tobari:** *Do they still want Taiwan independence in the same way as before? Do they want to establish a 100-percent new and independent nation?*

**Hsieh:** Yes! When they talk about Taiwan independence now, they hope to establish a democratic country on the national territory that is actually under Taiwan rule. But among those who advocate an independent Taiwan, actual Taiwan independence is not meant in a very narrow sense. I do not believe anyone means Taiwanese have to rule in order to have Taiwan independence. Today Taiwan independence means approval of the new Taiwan, meaning a nation made up of the 20 million population in the province. This means taking the existing situation as the basis. Formerly, the Kuomintang maintained that the country's population was 1 billion, so 1 billion people had to elect the president. Of course, today those who advocate Taiwan independence mean basing a new nation on the actual population and land area of Taiwan.

**Tobari:** *As I observe events in Taiwan from outside, I have never understood the Cheng Nan-jung [6774 0589 2827] incident very well. I was in Tokyo at the time, and I never could figure out why he committed suicide? Some people regard Cheng Nan-jung as a hero, but I have a very hard time making sense out of his actions.*

#### **Why Did Cheng Nan-jung Want To Commit Suicide?**

**Hsieh:** I think this depends on your degree of understanding. My understanding of Cheng Nan-jung is that he wanted freedom of speech—100-percent freedom. Since he ran SHITAI [ERA] magazine, he discussed many Kuomintang military secrets in the magazine, and he attacked a great deal of government corruption. He was accused of slander and he was sued, but he did not care. He said it made no difference. But later on, after he published the Constitution of the Republic of Taiwan, high-ranking police officers in Taiwan wanted to prosecute him. So people prevailed on him to decide not to go, because they knew that if he went, the trial would be a very long one.

**Tobari:** *But the situation in Taiwan had changed from what it was.*

**Hsieh:** At the time he committed suicide, it had not yet changed.

**Tobari:** *That was after Chiang Ching-kuo had passed away. The situation had already begun to change. So if he had been arrested, the situation would not have been as serious as formerly.*

**Hsieh:** But he felt that if he were arrested, though you say it would not necessarily have been that serious, possibly it might have been very serious. Therefore, he felt that if this was the way matters stood, freedom of speech was infringed, so he absolutely would not be arrested. He said, "if they come to take me, I'll commit suicide." So, on the day they came to take him, he immolated himself.

**Tobari:** *Are you able to fathom the behavior of these people who struggle for Taiwan reform?*

#### **Did Cheng Nan-jung's Death Have Value?**

**Hsieh:** I think that what he did was, as I see it, a way of expanding the resistance of the people of Taiwan. We do not say that this is the only way, nor do we say that it is the best way. But he enriched the ways of resisting, making them more varied. We used to just talk in meetings and on the streets, but this is also a form of action. You might say that we expanded the ways. Naturally, we have to look at each person's personality and the extent to which he is willing to sacrifice. So, basically I personally believe that his actions should be endorsed. We do not encourage everyone to do the same thing, but some people dare to do this. In other words, he died, yet he was able to tell society that very many people say that life is most precious, but some people are willing to die. This shows that that he holds something more precious than life. This is the only way to get everyone to

pay attention to freedom of speech. He wanted to die for an ideal. I feel that the pursuit of ideals is helpful for the people of Taiwan. This is because the real society of Taiwan pursues material gain, the reality of money. But some people are willing to die for ideals. I do not think this is something that everyone is able to do. I believe that this point alone should be endorsed.

**Tobari:** *I can accept this explanation in principle, but I still find it hard to endorse such actions as a means of expanding the pursuit of ideals.*

**Hsieh:** It enriches the methods of resistance, increasing the value of ideals. This is because in the past very many people said they wanted to pursue ideals, but what you sacrifice is very important. Are you willing to go to jail or even to die for ideals?

**Tobari:** *Well, did his death advance the further development of Taiwan independence thinking?*

**Hsieh:** I feel that he is not responsible if his death did not help the democratic movement. Since he is dead, he is no longer responsible. It is those who are not dead who bear responsibility. This is because those who are not dead should make his death have value and make his death serve a purpose.

**Tobari:** *Maybe it is because I have lived my whole life in a rather stable society that I still do not profoundly understand your feelings.*

**Hsieh:** We live in a society that is beginning to change. There is bound to be some violence, but this may require killing others, and making revolution. But Cheng Nan-jung did not kill others; he destroyed himself. At least he did not kill others or assassinate others, but rather he destroyed himself. I feel that the spiritual power displayed here should be endorsed.

**Tobari:** *Probably not too many people stand for that kind of Taiwan independence nowadays?*

#### **Support For Taiwan Independence Has Increased to 17 Percent**

**Hsieh:** According to the ideas of people engaged in the democratic movement, possibly between 5 and 10 percent of the people support Taiwan independence. But an opposition movement increases slowly from a small number. However, I believe that a recent public opinion shows that the number of people who support Taiwan independence is greater than formerly. The most recent figure I have seen is 17 percent. The previous figure was always 5 percent. The present figure is based on a Kuomintang public opinion survey. It was always 5 or 6 percent in the past, but now it is 17 or 18 percent. I think it has increased.

I would like to add that I just began to say that I very rarely use the term Taiwan independence. Why? Because Taiwan independence conveys a special connotation. Because for a long time the Kuomintang has connected Taiwan independence with violence. As a result, if you

casually ask a small child in Taiwan whether he approves of Taiwan independence or whether he approves of communism, he will say it is bad. This is bad. Why is that? It is because for a long time the Kuomintang has regarded the Communist Party as communist bandits. When you hear this every day, the term takes on this value. The same is true for Taiwan independence. So, as far as I'm concerned, we use "new nation." The Kuomintang hasn't ruined the term "new nation." So when we hold an election, we use "new nation" to express a political view.

**Tobari:** But "new nation" is also forbidden! The "Presbyterian Church" in Taiwan also advocates a new and independent nation!

**Hsieh:** Correct! They advocate a new and independent nation, but during the election at the end of last year when we talked about a "new nation," the Kuomintang said it would prosecute us, but as for me, I got more than 100,000 votes for legislator. Our eight legislators in the "new national coalition" (made up of some DPP people who advocate Taiwan independence) were all elected.

#### Is the "New National Coalition" Just a Tactical Device?

**Tobari:** I always supposed that the "new national coalition" was a tactical device used in the election.

**Hsieh:** It is not tactical. We came out with the "new national coalition" during the election, but after the election we disbanded and no longer used the term "new national coalition." This was because we had to unite in the Legislative Yuan and in the DPP to counter the Kuomintang. Only in unity is there strength. If we continued to maintain our eight-member "new national coalition," that would be bad for unity. We use this stand only during elections in order to show that we stand for something different from others, but once the election is decided, we have to think about the unity of the party as a whole.

**Tobari:** Have you ever analyzed the reason why you received more than 100,000 votes in that election? Was it because you advocated the establishment of a "new nation?"

#### Change From Resistance Activity to a Long-Range Policy Orientation

**Hsieh:** I do not think it was because I advocated a "new nation" that I received that many votes, but at least those who voted for me did not refuse to vote for me because I used the term "new nation." They were able to stand a "new nation." I think this is a market that has potential.

**Tobari:** Were people accepting of the "new nation?"

**Hsieh:** They did not necessarily approve, but at least they would not say they did not want this new nation, and it

was not this way. But in the Legislative Yuan, I did not use the term "new nation" again. Instead I used "new constitution conference."

**Tobari:** This change, which used to be like a dream, has now become a reality, so you will have to be particularly careful.

**Hsieh:** That's a good point. We used to have to work in isolation and suppression, so we were not able to speak freely because survival came first! But today the DPP should set a positively affirmed long-term policy orientation. It should not just be in opposition. This point is very important. Adjustments must be made.

**Tobari:** Now the Kuomintang and the DPP have at least reached a consensus on the two governments issue, so is there also support for this consensus from those who have always advocated independence?

#### Advocates of Taiwan Independence Do Not Oppose Two Governments, But They Do Oppose One Country

**Hsieh:** I do not think that advocates of Taiwan independence will oppose two governments, but if you mention one country, they will be opposed. So, I say that for the sake of unity we should go ahead with emphasizing two governments, and never mind mentioning one country or two countries. Each person can speak in his own terms. You may say one country, and I may say two countries, but at least there are two governments.

I believe a very important concept is the Taiwan common destiny community that I have advocated. I believe that when faced with either economic or political pressure from the Chinese Communists, people in Taiwan, be they Kuomintang, DPP, people of other provincial origin, or people from Taiwan, should have a Taiwan common destiny concept. Such a community concept, I personally think, should transcend party factions with regard to policies toward the mainland. It should transcend the DPP and the Kuomintang, because this is our common destiny. Therefore, if both the DPP and the Kuomintang share a consensus about a common destiny in policies toward the mainland, and share a consensus on the priority of Taiwan, we can play different roles. Tactically, some may support unity, and some may support independence. I believe this will work tactically. For example, if there is fear of provoking the Chinese Communists or fear of angering the Chinese Communists, some people can support the Kuomintang in maintaining unity. I believe this is freedom. People can say it, and in the future the king can be played in the card game, people also talking about independence.

**Tobari:** I approve of this idea.

**Hsieh:** In this way, we are a group contending with the mainland for the sake of protecting Taiwan's security and prosperity. But there is a bad situation now. Because of past Kuomintang education and propaganda, which always said we are one China and we want to unite, nowadays very many people are going to the mainland.



But very many political personages who have no standpoint whatsoever and who do not share a consensus on Taiwan go to the mainland, where they immediately say what they please and are opportunistic. They are opportunistic like politicians, and many of them forget Taiwan's security. For people to do as they please and say what they please is very dangerous for Taiwan, I feel. I am opposed to such things. Now, in particular, I feel it ironic that Taiwan opportunists pay calls on members of the mainland Taiwan legislature, and they keep going to the mainland. The most procommunist country in the world turns out to be the Republic of China. Today, the most procommunist country and the country that fawns most on the Chinese Communists is the Republic of China.

**Tobari:** Why does Taiwan pander to the Chinese Communists now?

**Hsieh:** They just don't think. Only some are opportunists, but for others it's because of their past education. For the past 40 years, the Kuomintang has not educated everyone well as to what is required to be a community.

**Tobari:** *You mean that, as a result, the Kuomintang is now unable to control them.*

**Hsieh:** No! Because of their past education, many people have illusions about the mainland.

**Tobari:** *But your education has been anticommunist education. How can people have illusions?*

#### **Frank Hsieh Admits That Most Taiwan Residents Approve of the Unification of China**

**Hsieh:** So this is an extreme! It has always been anticommunist education, but after the anticommunist education people still maintain that there is only one China and that it should be unified. Now when they go to the mainland they find out that the Chinese Communist Party is not as bad as the Kuomintang said. The Kuomintang said that there were rebellions all over the mainland and that people hoped the Kuomintang would return, and that the people on the mainland were eating tree bark. Now they see that this is not so. So they feel that what the Kuomintang president says is untrue, so they go to the other extreme. Therefore, I believe this is a bad situation. Therefore, Taiwan should educate them well. It should change the propaganda and change the education so that the 20 million people on Taiwan truly love Taiwan, take love of Taiwan as their point of departure, and take the common interests of Taiwan as their point of departure.

**Tobari:** *I support your idea 100 percent. I have always felt very puzzled by the most recent events in Taiwan, and I also felt a very great danger as well. Entering into exchanges so quickly, we have no way of imagining the kinds of circumstances that can follow.*

**Hsieh:** Furthermore, very many legislators comport themselves incorrectly in two ways. One is that everyone vies to shake hands with **Jiang Zemin**, and they line up to

do it. After they return, they take out photographs and say that "this is a photograph of me shaking hands with the chairman and the deputy chairman of the Taiwan Office." This is really shameless. The second is that they break their necks calling for more opening to the outside world, more opening to the outside world. They say that exchanges with the mainland are still insufficient. They say that there should be direct air flights, and direct sea travel without any thought for the safety of Taiwan.

**Tobari:** *Of course, what exchanges the two sides of the strait have is your own affair, but in view of current circumstances, it seems that Taiwan is being taken in by the Chinese side.*

**Hsieh:** This is to say that they have no concept of Taiwan's safety. They do not have a Taiwan concept. They have only their own interests. For this reason, I fiercely criticized before the Legislative Yuan these legislators who go to the mainland. This is because you yourselves say you are legislators, and legislators are members of the national assembly, but you ran over there and shook hands with a deputy chairman of the Taiwan Office. You were "wow!" so happy. That shows that you admit you are only in a regional government. As a result, although you say you are a legislator, when you shake hands with a person in the Communist Party central government, and you are very happy, that is an admission that you are only in a local government.

**Tobari:** *When you criticized them this way, how did they reply?*

**Hsieh:** Some said this was not their intent; they were just in favor of the unification of China, the unity of the Republic of China. They said such a pack of lies.

**Tobari:** *Actually you knew all along that their point of departure was not the country, nor was it for the safety of Taiwan.*

**Hsieh:** Right! They were not! They had no sense of the common destiny of Taiwan because very many people in the Kuomintang actually have always had a mainland point of view rather than a Taiwan point of view. For example, they often say that Taiwan cannot be independent, that Taiwan is a part of China. Such language is logical only for people who have lived on the mainland. How can Taiwanese say that we are a part of you? This doesn't make sense. So, their frame of mind is such that they still do not appreciate Taiwan. They came here only as a government in exile, or as guests. They treat Taiwan as though it were a hotel in just the way I do when I visit Japan. I am living in a hotel right now, so naturally I consider Taiwan to be where I belong. This is the way they feel when they come to Taiwan. They feel that only the mainland is their home, and that they are living in Taiwan only temporarily, so that is why they speak this way. For example, Hau Pei-tsun said, "I love Taiwan, but I love the mainland more." When I interrogated him in the Legislative Yuan, he said this. This is wrong. Taiwan should come first. When there is a clash between Taiwan and the mainland, Taiwan should get priority.



But when you say that I love Taiwan but I love the mainland more, that puts the mainland first. This is very dangerous. Such people have no business being premier! I told him in the Legislative Yuan that you have no business being the prime minister. If you were selling sugarcane or bean paste, it would be all right. If you were doing business and said that I love Taiwan but I love the mainland more, that would be all right. You would be free to do so, but you are a high-ranking head of the Executive Yuan whose salary comes from Taiwan taxes, so you cannot say I love Taiwan, but I love the mainland more.

**Tobari:** Some legislators have said to me that your views about Taiwan independence have changed very greatly from what they had been. But after hearing what you just said, I find there is no very great change in your stand.

**Hsieh:** I never used the term "Taiwan independence" in the past, but they regard what I think and what I say as being for Taiwan independence, and they are not wrong. Probably they suppose that I may somewhat condone Taiwan speaking with a unified voice, so they suppose I have changed. But this is a distinction between tactics and basic policy. The basic policy is Taiwan first. Taiwan should take a stand of having a new national way of handling matters, namely the Taiwan common destiny, but the tactics employed...

**Tobari:** When I visited you five or six years ago, you did not say this.

#### Need for Tactics To Achieve Goals

**Hsieh:** Right. This is because I can say it only because I am free.

**Tobari:** After hearing you today, I have a strong feeling that there are no limitations on talking about the Taiwan independence issue.

**Hsieh:** I do not very much like to use the words "Taiwan independence," because such language is too abstract. What we have to ask is what is "independence"? If we were independent, we would want to change our political stand. Independence means Taiwan selecting its own national assembly, its own president, and a constitution for Taiwan, and so on. If this happened, I would not necessarily call for independence. When we talk about wanting to elect the president and reelection of the national assembly, if that became a reality that would be fine. If you always talk about Taiwan independence, sometimes the newspapers will pick up a single sentence and say that the person who said it is for Taiwan independence. This is their explanation, but neither can I deny it. If you say I am for Taiwan independence, I cannot deny it. But I do not take the initiative in using

these two words, because I know that different values may be assigned to these two words. So, when others say I am for Taiwan independence, I do not deny it. I have never said that I am not, but when I speak myself, I express myself in the way I just explained.

**Tobari:** What are your thoughts on the views of people like Lu Hsiu-i [4151 0208 0001] (a member of the "new national coalition")?

**Hsieh:** They are in the New Tide. They put more stress on using the Taiwan independence motto. They want to shout out independence, independence. They believe that if you approve, you should speak out. I feel they are not wrong, but my ideas are different. I believe that one does not necessarily have to yell to attain a goal. But some of their people, for example, want to shout Taiwan independence in the streets and then burn the national flag. I say this makes no sense. This is an unnecessary tactic. I also disagree with them on another point, and it is extremely important to state this point. In my view, Taiwan independence, and independence in general is a means. The goal of independence is people's well-being and an elevation of our humanity. Independence is not the highest virtue, but some people believe that independence is the highest virtue, that everybody who is opposed to independence is unethical, and that those who oppose independence are not real Taiwanese. They believe that any means can be used to achieve independence, but I do not agree with this.

**Tobari:** Your idea is very good.

**Hsieh:** I stick to this idea; consequently, I have not taken part in the activities of some people who support independence. Why is this? It is because I felt that such activities had a negative effect on relations between people in Taiwan, so I did not go. This was because I do not feel that independence is the highest virtue. But some of them who take independence as the highest virtue regard everybody as unvirtuous who opposes independence. You can use any method for independence. I do not agree with this. This point is very important. My views are absolutely not the same as some of those who advocate independence. So I think that independence should not become a new totem. This is very important.

**Tobari:** Right. This has to be kept separate; otherwise thinking may become confused.

**Hsieh:** Furthermore, if you do not pay attention to this point and people cannot find happiness after they are independent in the future, this is another kind of dictatorship.

**Tobari:** Right! It is possible! This is rather frightening.

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47

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